

TEXAS RACING COMMISSION



Annual Report 2010

SUBMITTED JANUARY 31, 2011



TEXAS RACING COMMISSION

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2010 Annual Report



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TEXAS RACING COMMISSION
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January 24, 2011

The Honorable Rick Perry
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78701

Dear Governor Perry:

On behalf of my fellow commissioners and staff, I am honored to submit the 2010 Annual Report of the Texas Racing Commission in accordance with Section 3.10 of the Texas Racing Act, Article 179e, Vernon's Texas Civil Statutes. The results of the Commission's regulatory efforts, along with statistics of interest, are highlighted in this report.

While many have declared an end to the national recession, most aspects of the Texas pari-mutuel industry continue to decline. In 2010, the total amount wagered at Texas racetracks fell by nearly \$39 million, representing an almost 10 percent decrease from 2009 wagering totals. Nationally, wagering on Thoroughbred horse racing in 2010 fell a little more than 7 percent from the prior year.

The reasons for the decline are unchanged since we issued this report a year ago. Texas racetracks face stiff competition from the continued proliferation of unregulated horse racing in Texas; additional wagering opportunities in all of our neighboring states and Mexico; and unregulated gaming via the Internet.

As you know, despite a very productive Sunset review process that yielded several extremely important recommendations, the 81st Legislature failed to pass the Racing Commission's Sunset legislation. The Commission currently is under a Sunset Commission re-review. We remain committed to the review process, and I remain hopeful that the 82nd Legislature will recognize the importance of the previous recommendations and work towards providing meaningful improvements to the Texas Racing Act.

On behalf of the Texas Racing Commission, I would like to reiterate our commitment to providing fair, effective and efficient regulation of the pari-mutuel industry.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Pablos".

Rolando B. Pablos
Presiding Officer
Texas Racing Commission

An Equal Opportunity Employer



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January 24, 2011

The Honorable Rick Perry
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78701

Dear Governor Perry:

As the interim executive director of the Texas Racing Commission, I respectfully submit the Commission's 2010 Annual Report.

I want to thank all the members of the Commission for their valuable contributions to the agency this past year. Each Commissioner generously gives time and energy, and, based on a wealth of professional and business expertise, provides quality leadership.

The Commission regulates a complex industry that operates seven days a week, 364 days a year. I highly commend staff's efforts and teamwork as they work long hours and remain determined and dedicated to protecting the health, safety, and welfare of all involved in racing. I thank each individual for the contributions to the Commission and to the State of Texas.

On behalf of the Commissioners and the staff, we thank the Texas Department of Public Safety and the Texas Comptroller of Public Accounts as each consistently provides critical assistance in regulating the pari-mutuel industry. These state agency partnerships effectively demonstrate the benefits derived from coordinated efforts and resources.

Although the Commission is significantly concerned about the continuing decline of the pari-mutuel industry, we continue to efficiently and effectively fulfill our mission in securing the safety, integrity, and fairness of racing and wagering in Texas.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Trout", written over a horizontal line.

Chuck Trout
Interim Executive Director

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TEXAS DEPARTMENT OF PUBLIC SAFETY

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STEVEN C. McCRAW
DIRECTOR
LAMAR BECKWORTH
CHERYL MacBRIDE
DEPUTY DIRECTORS



COMMISSION
ALLAN B. POLUNSKY, CHAIR
C. TOM CLOWE, JR.
ADA BROWN
JOHN STEEN
CARIN MARCY BARTH

January 6, 2011

Mr. Rolando Pablos, Commission Chair
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4594

RE: ARTICLE 179e, SECTION 3.10
VERNON'S TEXAS CIVIL STATUTES

Dear Mr. Pablos,

Pursuant to the requirements outlined in Article 179e, Section 3.10 of Vernon's Texas Civil Statutes, the Texas Department of Public Safety provides the following information relating to organized crime and illegal gambling in Texas for the year 2010.

CRIMINAL ACTIVITY AND CRIME TRENDS

The Department is committed to enhancing its resources for Homeland Security. Efforts are concentrated on criminal organizations and transnational gangs involved in criminal enterprises such as drug trafficking, vehicle theft, and other types of criminal activity. The continued violence along the Texas/Mexico border creates a major security concern for Texas law enforcement agencies statewide due to the mobility of these criminal organizations. Efforts to curtail the border violence and its effects have steadily increased due to the growing partnerships cultivated among local, state, and federal agencies in Texas. This type of multi-agency collaboration has already contributed to numerous successes eliminating threats from high-risk criminals and predatory criminal gangs.

The unimaginable number of identity theft schemes facilitated by technological advancements and the proficiency of white collar criminals continue to plague law enforcement agencies at all levels of government. Law enforcement officials continue to maintain a viable pace in an attempt to protect citizens who may fall victim to these types of criminal activities that may originate from foreign or domestic venues.

The reportable crime index will not be available until May 2011.

EQUAL OPPORTUNITY EMPLOYER
COURTESY • SERVICE • PROTECTION

Mr. Rolando Pablos
January 6, 2011
Page 2

ILLEGAL GAMBLING

Illegal gambling involving 8-liner businesses has shown an increase, which is clearly reflected in the number of investigations conducted by state and local officers this past year. The Department continues to coordinate with local and state law enforcement agencies, as well as with the Office of the Texas Attorney General, in an effort to reduce and eliminate these illegal businesses.

Gambling related to animals, such as dog fights and cockfights, continues to challenge law enforcement, predominantly in the rural areas and the inner metropolitan city neighborhoods of Texas.

Unsanctioned horse racing at non pari-mutuel tracks, or "*brush tracks*," continues to be a major challenge in rural Texas. Covert operations to identify participants involved in illegal activities at these tracks are often difficult due to their tight-knit associations. This presents a major challenge for investigation and prosecution of these crimes. The erratic scheduling of said operations and undisclosed/rural locations allow for the cloaking of activities from law enforcement officers. Racing authorities and racing interests feel these unsanctioned tracks are having an adverse impact on the legitimate pari-mutuel tracks and the racing industry in Texas, both operationally and economically.

With Highest Regards,



Jesse Flores, Major
Special Investigations Section

THE COMMISSION

The Texas Legislature created the Texas Racing Commission in 1986 to be the state agency responsible for overseeing and regulating pari-mutuel horse and greyhound racing in Texas. The Commission functions pursuant to authority granted in the Texas Racing Act, Vernon's Texas Civil Statutes, Art. 179e.

MISSION

To enforce the Texas Racing Act and the Rules of Racing to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.

PHILOSOPHY

The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently, and courteously.

THE COMMISSIONERS

The Commission consists of nine members, seven of which are appointed by the Governor with the advice and consent of the Senate, and two are ex-officio members, the Comptroller of Public Accounts and the Chair of the Public Safety Commission. The seven non-salaried commissioners each serve overlapping six-year terms.

Of the seven appointed Commissioners, five members must be representatives of the general public and have general knowledge of business or agribusiness. Of these five general business appointees, one appointee may be a veterinarian.

One member must have experience or special knowledge related to greyhound racing and one must have experience or special knowledge related to horse racing. A Commissioner, designated by the Governor, serves as the Chair of the Commission. The nine members elect a Vice-Chair for a term of two years.

Governor Rick Perry appointed **Rolando Pablos** of San Antonio as Chair of the Commission on October 31, 2008. Mr. Pablos was first appointed to the Commission on October 3, 2007. He is an attorney with Monty Partners LLP, a firm that focuses on employment, labor law, and immigration issues. He is also the co-founder of Burg O.A. Entertainment. Mr. Pablos is chairman of the San Antonio Hispanic Chamber of Commerce Board of Directors, and also serves on the boards of the San Antonio Free Trade Alliance, the Hispanic Alliance for Progress Institute, and the San Antonio Zoo. His term expires on February 1, 2013.

Robert Schmidt, MD of Fort Worth was appointed to the Commission on November 16, 2007. Dr. Schmidt was elected by his fellow Commissioners to serve as the Vice-Chair of the Commission. Dr. Schmidt is a practicing orthopedic surgeon and a partner of the Texas Hip and Knee Center, L.L.P. He also serves as Chief-of-Staff at Plaza Medical Center of Fort Worth and Chair of the Division of Orthopedics of North Texas Specialty Physicians Network. His term expires on February 1, 2011.

Scott Haywood was appointed to the Commission on November 24, 2009, by Governor Perry. Mr. Haywood is the director of corporate communications for Astrotech Corporation. He previously served as director of communications for the Texas Secretary of State. His term will expire February 1, 2015.

Governor Perry appointed **Vicki Smith Weinberg** to the Commission on April 8, 2009. Ms. Weinberg is a self-employed real estate investor and a member of the International Council of Shopping Centers. She is also past education foundation director for the Grapevine-Colleyville Independent School District. Ms. Weinberg's term will expire February 1, 2015.

Gloria Hicks of Corpus Christi was appointed to the Commission on November 9, 2007. She is the chief financial officer of Ed Hicks Imports. She is a member and past president of the Texas State Aquarium Board, and a member of the South Texas Institute of the Arts Board of Governors. Ms. Hicks serves as a board member of the South Texas Botanical Gardens,

Citizens for Education Excellence, Texas Society of Certified Public Accountants, and American Institute of Public Accountancy. On October 30, 2008, Governor Perry appointed her as the commissioner with special knowledge or experience related to greyhound racing. Her term expires on February 1, 2011.

Ronald Ederer of Fair Oaks Ranch was appointed to the Commission on July 17, 2007, as the commissioner with knowledge or experience related to horse racing. Mr. Ederer is an attorney in private practice in San Antonio. He previously served as the US Attorney for the Western District of Texas. He is a member of the State Bar of Texas, San Antonio Bar Association, American Bar Association,

and the Federal Bar Association. His term expires on February 1, 2013.

Michael F. Martin, DVM, of San Antonio was appointed by the governor to the Commission on November 3, 2010. Dr. Martin replaced **Dr. G. Kent Carter**, whose term expired in February 2009 but who continued to serve at the pleasure of Governor Perry. Dr. Martin is a veterinarian and principal owner of Retama Equine Hospital, Inc. He is a member of the American Association of Equine Practitioners, American and Texas Quarter Horse associations, and American and Texas Veterinary Medical associations. Dr. Martin is also a member of the Texas Equine Veterinary Association Board of Directors. His term on the Commission expires February 1, 2015.

EX-OFFICIO MEMBERS

On October 7, 2008, the Chair of the Public Safety Commission, **Allen B. Polunsky** appointed Public Safety Commissioner **Thomas Clowe** as his designee. Mr. Clowe, from Waco, is a ranch land developer and investor in various Texas nursing homes. He is also a retired senior management advisor of the State Bar of Texas and former appointee to the Texas Lottery Commission. His term on the Public Safety Commission expired January 1, 2010, but continued to serve at the pleasure of Governor Perry. The

Commission expects his replacement to be named in early 2011.

Susan Combs of Austin was sworn into office in January 2007 as the Comptroller of Public Accounts and serves as an ex-officio member of the Racing Commission. **Ann O'Connell**, Special Counsel to the Comptroller and Director of Criminal Investigations, serves as Ms. Combs' official designee at Commission meetings.

COMMISSION MEETINGS, SIGNIFICANT ACTIONS, AND ACTIVITIES

The Texas Racing Commission met seven times during calendar year 2010 to conduct official business. The Commission's meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted on the agency's website prior to the meeting. Transcripts of each Commission meeting are also available at www.txrc.state.tx.us.

RACE DATE ALLOCATION

The Commission granted the 2011 horse race dates at the September meeting. Continuing declines in purse levels led to some changes to the horse race dates schedule. Lone Star Park requested, and was granted, eight fewer days of Thoroughbred racing, going from 60 days to 52, and three fewer Quarter Horse dates. Sam Houston Race Park cut its Thoroughbred schedule by 18 dates and its Quarter Horse schedule by 15 dates. Retama Park requested 21 days of Thoroughbred racing, up from 16 the year before. Retama Park also requested 10 Quarter Horse dates and 14 Mixed meet dates. The year before, Retama Park did not host any Quarter Horse or Mixed racing.

Continuing declines in purses alter racing calendar for 2011

The July closure of Manor Downs, a Class 2 track outside Austin, garnered widespread media attention. Manor's future is currently unclear, although track officials reported to be searching for new investors.

STATE AUDITOR REPORT

In June, the State Auditor issued a Report on Racetrack License Application Processing. The State Auditor found that the Commission "substantially complied with the Texas Racing Act and the Texas Administrative Code when it processed the five racetrack license applications that auditors tested." The limited recommendations centered on the organizational file structure and a desire for detailed written policies and procedures related to the racetrack license application process. The Commission is progressing toward satisfying the Auditor's recommendations.

EXECUTIVE DIRECTOR RETIREMENT

After five years of service, the Commission's Executive Director, Charla Ann King, retired in November 2010. The Commission, in December, appointed Deputy Director for Racing Oversight Chuck Trout to serve as Interim Executive Director and also created an Executive Director Search Committee to conduct a search for a permanent replacement.

PARI-MUTUEL ADVISORY COMMITTEE

The Texas Pari-Mutuel Advisory Committee was formed in 1995 to review the Commission's rules regarding pari-mutuel pool distribution, pari-mutuel department operations, and totalisator operations. The committee includes the mutuel managers and simulcast coordinators from each Texas racetrack, a representative of the Texas Horsemen's Partnership and the various breed organizations, a representative from each of the three totalisator companies operating in Texas, a representative from the Comptroller of Public Accounts, and the Commission's senior team members from the Division of Wagering and Racing Review. The committee reports to the Rules Committee and recommends revisions to the rules primarily located in Chapter 321.

As part of a broader 2010 Commission rule review, the Committee engaged in a complete assessment of Chapter 321. The Committee proposed amendments to Subchapters A (Mutuel Operations), C (Regulation of Live Wagering), D (Simulcast Wagering), and E (Ticketless Electronic Wagering).

Upon a recommendation by staff, however, the Committee tabled changes related to Subchapter B (Totalisator Requirements and Operating Environment). The changes that the Committee is considering to the tote standards have the potential for nationwide impact. Tabling the potential changes will allow further vetting at the national level. The Association of Racing Commissioners International (ARCI) will bring the proposed changes to its Wagering and Integrity Committee. The Commission expects that the rules will then go to ARCI's Model Rules Committee to be considered for inclusion in the ARCI model rules.

Texas leading the nation in
the development of new tote
standards

COMMITTEE ON RULES

The Committee on Rules was implemented in 2009, to provide a forum for an in-depth review of proposed rule changes. The committee met four times during the year, continuing the rule review work on Chapters 307 (Proceedings Before the Commission), 321 (Pari-Mutuel Wagering), and 323 (Disciplinary Action and Enforcement) that it began in December 2009. The Committee expects to close out its review of those chapters in early 2011. The Committee also recommended amending 14 existing rules.

HORSE AND GREYHOUND RACE DATES CALENDAR COMMITTEES

For the first time, the Commission appointed both a Horse and a Greyhound Race Dates Calendar Committee. The committees provided a forum for interested stakeholders and the public to discuss proposed race date calendars for the upcoming year. Topics at the meetings included the potential number and locations of race dates and the purse levels for those dates.

The committees welcomed input on whether each racetrack's proposed race meeting would serve to nurture, promote, develop, or improve the horse or greyhound industry in Texas. Among the factors the Commission may consider are: the current condition of the association's racetrack and facilities for patrons, race animals, and occupational licensees; the anticipated effect of the proposed race meeting on the continuity of racing during the

year; the live race dates requested by other associations licensed to conduct races for the same species of animal; the anticipated effect of the race meeting on the greyhound or horse breeding industry in Texas; the anticipated effect of scheduled race meetings in neighboring race states on the proposed race meeting; and the anticipated availability of race animals for the race meetings.

The committees met a combined total of four times to discuss and receive calendar proposals from the industry. The Commission allocated race dates for both 2011 and 2012 at its September 2010 meeting.

SAFETY AND MEDICATION WORKING GROUP

The Safety and Medication Working Group met in March and October of 2010. The March meeting focused on racehorse injuries and how to prevent, treat, and evaluate them, and the status of equine piroplasmiasis, a tick-borne disease that can affect horses. Equine piroplasmiasis currently is incurable and requires quarantine, and a horse with the disease often shows no signs of infection.

Discussions at the October meeting involved greyhound safety and medication threshold, and policy issues related to horses. Work moved forward on a greyhound safety initiative involving industry and the small animal clinic at the Texas A&M School of Veterinary Medicine. The goal of the initiative is to establish a relationship with the veterinary school to more effectively deal with potentially serious injuries to greyhounds. Additionally, the working group reviewed new developments reported from Florida related to objectively assessing the safety of greyhound racing surfaces. Certain metrics may have the potential to help better evaluate and increase the surface safety at greyhound tracks.

The topics related to horses turned to medication and policy issues. Some regulatory jurisdictions are investigating lowering the threshold for phenylbutazone, or bute as it is commonly called. Bute is a non-steroidal anti-inflammatory drug (NSAID) used to treat pain. At the current allowable level, bute may have some analgesic effect at the time of the pre-race inspection, making it difficult to identify injuries.

The policy discussion focused on furosemide or Lasix. There is some concern in the industry that Texas Quarter Horses are disadvantaged by Texas' current policy, which is stricter than the policies of some neighboring states.

THE LEGISLATURE AND THE TEXAS RACING COMMISSION

STUDY ON THE CURRENT STATE OF HORSE AND GREYHOUND RACING IN TEXAS

Representative Senfronia Thompson, Vice Chair of the Licensing and Administrative Procedures Committee during the 81st Legislative Session, authored House Concurrent Resolution 252 (HCR 252) calling for the appointment of a task force on horse and greyhound racing.

Though the legislature passed HCR 252, the Governor vetoed it, noting that the Texas Racing Commission is responsible for regulating the racing industry in Texas. In his veto proclamation, the Governor directed the Commission, in conjunction with private industry, to fulfill the intentions of the resolution by studying the current state of horse and greyhound racing and breeding in Texas and making a full report, including findings, recommendations, and possible legislation, to the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives.

As a regulatory agency, the Commission believed it could best serve the process and satisfy the intentions of the HCR and the Governor's veto by acting as the study facilitator. The Commission formed a Committee on the Current State of Horse and Greyhound Racing in Texas. The Committee created an Industry Advisory Group comprised of stakeholders throughout the industry.

Agency staff and the Industry Advisory Group set the meeting agendas and dates for two public hearings. Upon completion of the hearings, the Industry Advisory Group began formulating recommendations that could help revitalize the racing industry in Texas. The agency delivered the final report in January 2011.

SUNSET RE-REVIEW

A productive Sunset review process began in the summer of 2007. The review resulted in a number of Sunset recommendations considered by the 81st Legislature in 2009. However, despite the tremendous effort and resources devoted by many, including the Racing Commission, the Sunset Commission, and numerous legislators and their staff members, the bill failed to pass.

The Commission was one of five agencies whose Sunset legislation failed passage.

Governor Perry called a Special Session to continue the five agencies until 2011. The bill passed during the Special Session limited the Sunset Commission's review to the appropriateness of recommendations to the 81st Legislature and authorized the Sunset Commission to include any other recommendations it considers appropriate.

Sunset recommendations to the
82nd Legislature very similar to
those made to the 81st

The Sunset Re-Review process began in the late summer and early fall of 2010.

The Sunset staff, in its November 2010 Summary Report to the Sunset Commission, said that:

...the horse and greyhound racing industries in Texas have continued to experience a steady decline in attendance and revenues. Further, the regulatory mission and tools of the Texas Racing Commission continue to need adjustment to adapt to this decline. Based on this re-examination, Sunset staff concluded a majority of the Sunset Commission's previous recommendations remain appropriate with a few modifications, and that statutory authority and direction are needed to implement them.

Sunset's recommended changes provide clearer statutory authority and give the Racing Commission added flexibility to oversee today's racing industry. The recommendations include a requirement that the Commission designate each racetrack license as active or inactive. Inactive tracks would be subject to an annual license renewal process. Another recommendation clarifies the Commission's authority and ability to revoke a license.

The Sunset Commission recommended that the Racing Commission continue as an independent agency for six years, instead of the usual twelve, in order to provide the legislature with an earlier opportunity to re-evaluate the agency's role in regulating a declining industry.

The Sunset Commission also considered the need for the Equine Research Account Advisory Committee. This Committee, created in 1991, recommends funding for equine research projects using a portion of wagers placed on Texas horse races. The recommendation to the 82nd Legislature is to abolish the Committee and continue to allow the Director of Texas AgriLife Research to directly award these equine research grants.

During the time between the end of the 81st Legislative Session and the pending re-review, the agency remained committed to the Sunset process. In fact, the Commission implemented the recommendations for management action contained in the original report. This work resulted in an expedient method of obtaining criminal history reports through electronic fingerprinting, a process for oversight of practical examinations for licensing horse trainers, more consistent oversight from racetrack to racetrack by changing staffing patterns and requiring better reporting on enforcement actions, and improved integration of field staff efforts with central office efforts.

OWNERSHIP AND LOCATION CHANGE REQUEST ACTIVITY

In 2010, several tracks initiated ownership change requests. The tracks involved are:

LONE STAR PARK

In March 2009, Magna Entertainment Corp. (MEC) filed for Chapter 11 bankruptcy protection. In September 2009, MEC placed MEC Lone Star L.P. into bankruptcy as part of its overall filing. In October 2009, Lone Star Park was sold at auction to Global Gaming LSP, LLC. This sale was approved by the bankruptcy court, subject to the subsequent approval of the Texas Racing Commission. The proposed buyer of Lone Star Park, Global Gaming LSP, LLC, submitted its application to the Commission on March 31, 2010. The Commission was set to consider the ownership change request at its November 2010 meeting. The applicant, however, requested that the item be removed from consideration for that meeting.

SAM HOUSTON RACE PARK, VALLEY RACE PARK, AND LAREDO RACE PARK

Penn National Gaming filed an application for an ownership change to Sam Houston Race Park, Valley Race Park, and Laredo Race Park. Penn National intends to purchase a 50 percent stake in each of the tracks.

AUSTIN JOCKEY CLUB

An entity called KTAGs filed an application for an ownership change to purchase the Austin Jockey Club license. The proposed ownership also has filed a location change request to move the proposed track to Creedmoor, just outside of Austin.

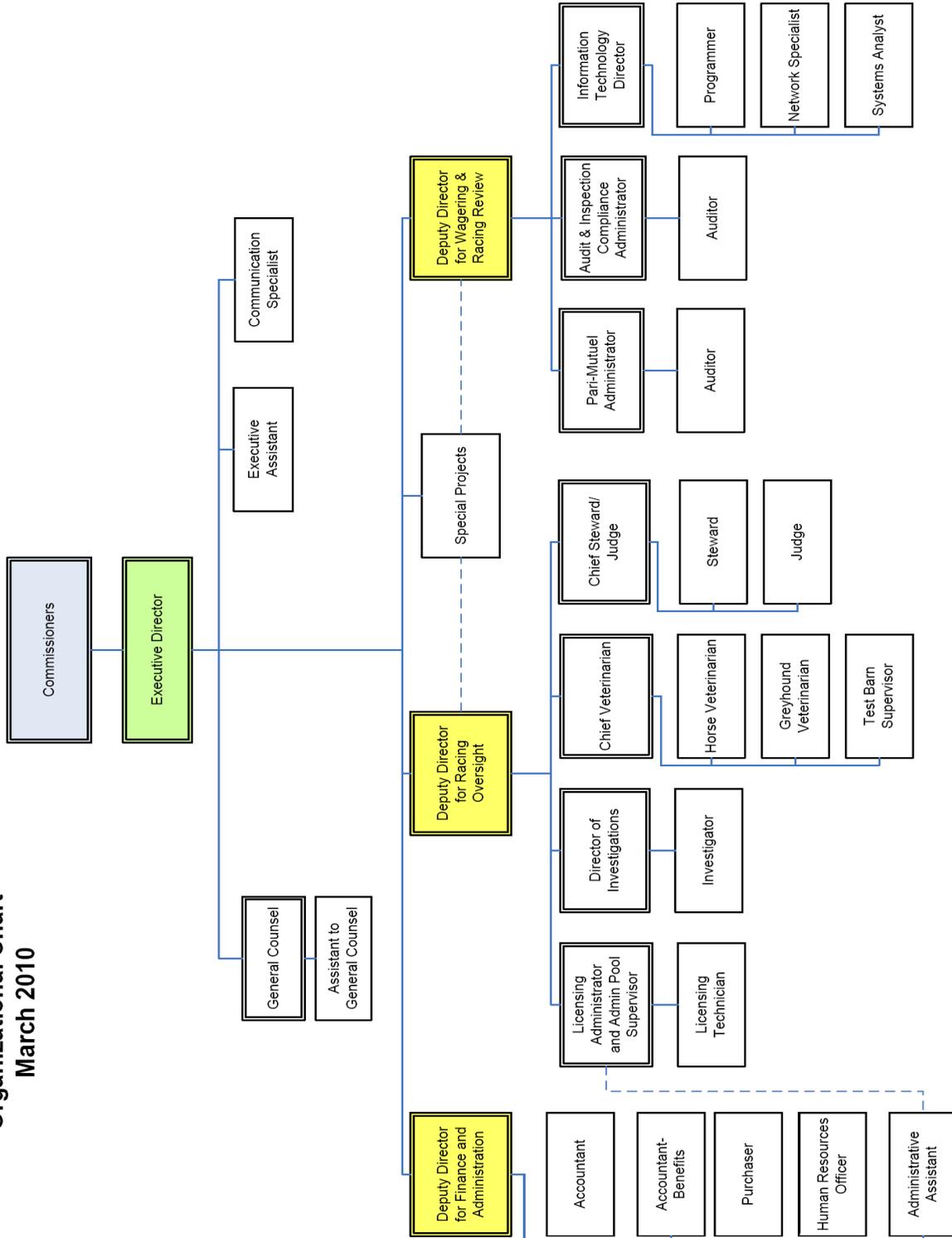
LAREDO DOWNS

Laredo Downs filed a request to change the location of the proposed track from Laredo to Fort Worth.

TEXAS RACING COMMISSION

Organizational Chart

March 2010



AGENCY OVERVIEW – ORGANIZATION

The Texas Racing Commission regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. Statute and rule require the Commission to:

- License racetracks that offer racing and the people who work at the racetracks or own race animals.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race animals, and conduct drug tests to ensure the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the totalisator systems (complex computer systems that tally and calculate pari-mutuel wagers), and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas-Bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

ORGANIZATIONAL STRUCTURE

The General Appropriations Act authorizes the Texas Racing Commission to have 75.5 full-time equivalent positions in FY 2010 and FY 2011. While the Texas Racing Act (Act) requires the Commission's headquarters to be in Austin, approximately two-thirds of the staff work at the operating racetracks. Many of the employees outside of Austin are seasonal, working only when the racetracks conduct live racing.

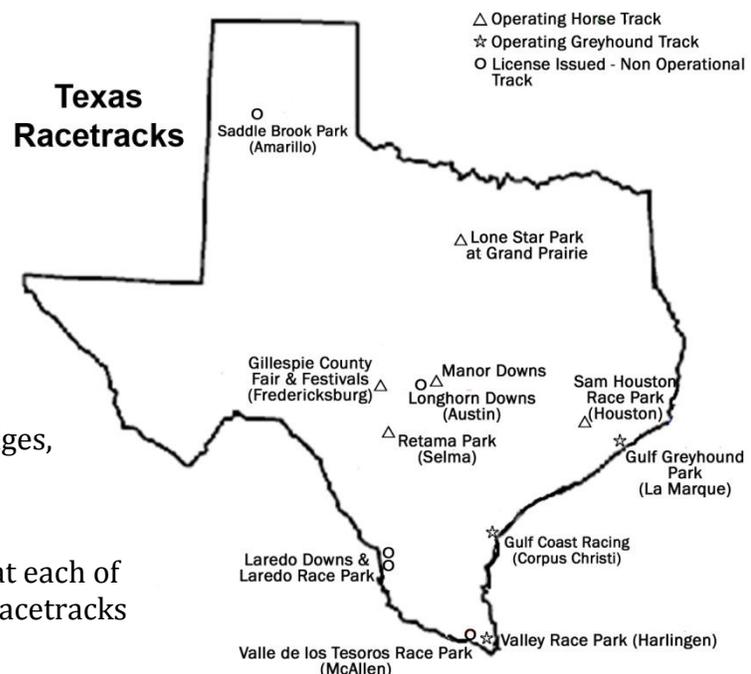
The Commission's workforce features a diverse collection of professions that includes auditors, veterinarians, stewards, racing judges, investigators, licensing staff, and support personnel.

The Commission has a field office at each of the three operating Class 1 horse racetracks and at each of the three currently operating greyhound racetracks.

Additionally, staff is always present at any field office when that track is running live racing.

Early in 2010, the agency completed a reorganization. Before the reorganization, the agency's departments operated largely as distinct units. Communication across departments needed significant development to ensure that information flowed to personnel appropriately and agency work was accomplished at the highest available level of performance.

The new agency structure with three divisions encourages teamwork across the departments and better supports effective communication. Work is distributed more appropriately.



Employees have the chance to enhance their knowledge and skills. Most importantly, the agency is in a better position to serve its stakeholders now and into the future.

The new agency structure features an Executive group headed by an Executive Director; a Division for Racing Oversight led by a Deputy Director for Racing Oversight; a Division for Wagering and Racing Review directed by a Deputy Director for Wagering and Racing Review; and a Division for Finance and Administration guided by a Deputy Director of Finance and Administration.

EXECUTIVE

EXECUTIVE DIRECTOR

As head of the agency, the Executive Director supervises agency activities as a whole and manages the agency's three divisions. The Executive Director oversees development of agency operating policies and procedures and ensures that the agency's regulatory responsibilities are carried out. The Executive Director represents the agency before the legislature and other governmental agencies. The Executive Director serves a primary role in external relations with industry stakeholders, regulators in other states, and a national regulatory association.

With the assistance of the General Counsel's staff, the Executive Director oversees coordination of the evaluation of racetrack license applications, the race date allocation process, and assesses administrative penalties against racetrack licensees.

The Executive Director's Office is also responsible for other administrative functions, including responding to public information and media requests.

GENERAL COUNSEL

The General Counsel advises the Commissioners and staff on legal and regulatory enforcement issues affecting the agency. Coordinating all aspects of Commission meetings and rulemaking proceedings, the General Counsel also represents the agency before the State Office of Administrative Hearings when prosecuting appeals from decisions made by the Board of Stewards/Judges and disciplinary cases initiated by the Executive Director.

DIVISION FOR RACING OVERSIGHT

DEPUTY DIRECTOR FOR RACING OVERSIGHT

The Deputy Director for Racing Oversight leads a division focused on enforcement and oversight of day-to-day racetrack operations. The members of this group make up the agency's presence at Texas tracks. The Deputy Director supervises personnel directly responsible for regulating the conduct of live racing and is responsible for the following teams: licensing, investigations, veterinarians/drug testing, and stewards/judges.

LICENSING

Staff in licensing issue occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horse racing. Licensing staff at each racetrack help maintain the integrity of the industry by ensuring that all participants are licensed and in good standing. Generally, any person who works on the grounds of a pari-mutuel racetrack or who seeks to make a living through pari-mutuel racing in Texas must be licensed by the Commission.

To ensure that all participants in racing are properly licensed, the Commission has more than fifty categories of occupational licenses. Stable and kennel area occupations — jockeys, owners, kennel owners, trainers, and grooms — must secure licenses, as must employees of the racetrack — management personnel, food service workers, and mutuel tellers.

INVESTIGATIONS

The investigators, who are all licensed peace officers, coordinate enforcement of the Act and the Commission's Rules of Racing.

Investigations are conducted on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of licensees suspected of using illegal drugs while performing their duties has become an important aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and must seek professional help.

STEWARDS/JUDGES

The division includes stewards at horse tracks and judges at greyhound tracks. The Stewards and judges supervise the conduct of live races and enforce the Act and the Commission's Rules of Racing.

The stewards and judges have broad authority to resolve matters arising during a race meeting. They may issue fines up to \$5,000 and suspend licensees for up to one year. Additionally, the stewards and judges have the authority to disqualify horses and dogs and, thereby, redistribute purse money.

VETERINARIANS/DRUG TESTING

The Chief Veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks.

Employees in this division inspect all race animals before a competition to ensure they are sound to compete, inspect the stable and kennel areas for animal health and safety issues, and implement the Commission's race animal drug testing program.

The Chief Veterinarian also serves as a liaison between the Commission and veterinary-related organizations and agencies, such as the Texas Animal Health Commission, the American Association of Equine Practitioners, and the Texas Veterinary Medical Association.

DIVISION FOR WAGERING & RACING REVIEW

DEPUTY DIRECTOR FOR WAGERING & RACING REVIEW

This division employs an analytical approach to identify and address issues of concern at Texas racetracks. The division is responsible for all activities related to wagering and racing review. The Deputy Director for Wagering & Racing Review leads the division, overseeing the agency's pari-mutuel auditors and the information technology team.

The division protects the interest of the wagering public and assures the proper collection and distribution of funds in accordance with the Act. To achieve this, tests of the pari-mutuel totalisator (tote) systems are performed to assure compliance with the Rules of Racing.

Racing review involves the systematic analysis of any given track over a period of time. Racing review focuses on data and incident analyses to improve performance at tracks. Areas identified through racing review lead to policy changes and process improvements that help ensure greater safety for the athletes (horses and greyhounds), the jockeys, the public, and all personnel at the track.

PARI-MUTUEL AUDITORS

On-site pari-mutuel auditors perform daily audits and verifications of handle, earned purse, paid purse, outs balances, deposit reports, and requests for simulcast approval. The audit staff also performs routine procedural audits, conducts random inspections of pari-mutuel wagering facilities, and responds to public complaints relating to wagering.

DEPARTMENT OF INFORMATION TECHNOLOGY (IT)

The IT division develops and maintains the agency's network, database and Web site. This division recommends and supports all hardware and software necessary for the day-to-day activities of the Commission. The Commission's custom programs and database operate twenty-four hours a day, seven days a week, providing staff, licensees, the Department of Public Safety (DPS), the Texas A&M Veterinary Medical Diagnostic Laboratory, and the general public with up-to-date information regarding all aspects of the Commission's regulatory programs.

DIVISION FOR FINANCE & ADMINISTRATION

DEPUTY DIRECTOR OF FINANCE & ADMINISTRATION

This division, headed by the Deputy Director of Finance & Administration, is responsible for the budget, accounting, purchasing, human resources, travel coordination, and other Commission administrative functions. The division prepares the biennial Legislative Appropriations Request, the operating budget, the annual financial report, reports on performance measures, and many other state agency required reports. The Deputy Director supervises an accountant, a benefits coordinator, and a purchaser who work together to support agency personnel and operations.

FISCAL INFORMATION

BUDGET AND FINANCE

The Commission is self-funded by the entities it regulates and is typically appropriated only GR–Dedicated funds. The agency’s revenue primarily comes from fees assessed to racetracks and occupational licensees and from revenue collected from uncashed winning tickets, commonly referred to as outstanding tickets or “OUTS.” For FY 2010 and FY 2011, the legislature provided an additional \$1.5 million in General Revenue Funds. This additional funding compensates for fluctuations in the agency’s cash flow caused by variations in the uncashed, or outstanding ticket revenue.

For FY 2010, the Commission has a total appropriation of approximately \$10.1 million. The agency’s operating budget is \$5.0 million, of which nearly 80 percent is salary and salary-related expenses. The \$10.1 million appropriation includes a direct, dedicated-revenue pass-through of almost \$5.1 million for the Texas-Bred Incentive Program.

The Texas-Bred Incentive Program is authorized in the Racing Act. It provides purse supplements and monetary awards to breeders and owners of Texas-bred greyhounds and horses to encourage economic development through agribusiness in the horse and greyhound breeding industries. Funding for the Texas-Bred Incentive Program comes from breakage from all types of wagers and a small percentage of all exotic wagers. Generally, breakage is the amount available after payoffs to winning ticket holders rounded down to the nearest dime.

SERVICE POPULATIONS

The wagering public desires confidence in the integrity of the pari-mutuel racing offered in this state. These patrons supply the revenue that drives the industry; therefore, they expect pari-mutuel wagering activity that is free from manipulation and races that are conducted fairly and honestly. In 2010, on-track attendance continued to decline. This downward trend is not expected to change materially unless new racetracks become operational.

The breeders of race animals seek an active industry in which to sell their product. Breeders invest millions of dollars in real estate, construction, and operations to supply the industry with Texas-bred race animals. They benefit from pari-mutuel racing through the Texas-Bred Incentive Program. This program provides economic incentives designed to support the industry and encourage its growth and ability to compete at a national level.

Pari-mutuel racing provides the livelihood for many occupational licensees. These individuals are demonstrably committed to racing, working hard to reap the rewards of an interesting and unique industry. This population also includes the totalisator, or tote, companies. Tote companies provide the complex computer systems that tally and calculate pari-mutuel wagers. Each licensed racetrack contracts with one company to provide tote services at its facility. Three of the North American tote companies provide services in Texas.

Licensed racetracks, also called associations, provide the arena for racing and wagering. These associations have built or renovated racetrack facilities, at the cost of tens of millions of dollars, for the privilege of inviting patrons to wager. The Act limits the number of licensed Class 1 horse and greyhound licenses to three each. The Commission has granted all the available Class 1 and greyhound licenses. Under current law, the only prospect for an increase

in the number of associations is if the Commission issues additional Class 2, 3, or 4 horse racetrack licenses.

Two Class 2 racetrack licensees, originally licensed in 1989, have not yet constructed a facility. Over the past 20 years, each has undergone ownership changes as well as location changes. To date, neither of these licensees has submitted construction plans for Commission approval.

The Commission issued three new Class 2 licenses during 2007. Two of the licensees posted security and agreed to schedules that called for simulcasting to begin on or before January 1, 2009, and their facilities to be ready for live racing on or before July 1, 2009. The third licensee posted security and agreed to a schedule that called for simulcasting to begin on or before July 15, 2009, and its facility to be ready for live racing on or before December 1, 2009. None of the new licensees met their obligations and forfeited the posted securities as a result.

The citizens of Texas profit from the tax dollars and overall economic benefits derived from pari-mutuel racing. Although the amount of direct revenue to the state treasury from pari-mutuel wagering is a small part of the state's total revenues, the public can rely on the Commission to regulate the industry in a manner that secures that revenue. Tax revenue to the state is down approximately 17 percent over the past five years.

Race animals are the foundation of the pari-mutuel racing industry. Without their efforts, no wagering product would exist. Although the animals are not a service population in the traditional sense, the Commission recognizes its critical responsibility to protect the health and safety of these animal athletes.

OTHER AFFECTED POPULATIONS

The Commission's activities affect populations other than those directly served. For example,

- Law enforcement agencies rely on Commission investigators to share information regarding licensees and to assist with arrests when necessary.
- Both racing and non-racing related local community businesses, such as hay suppliers, tack vendors, and food service businesses among others, provide products or services to the associations, to the occupational licensees, or both.
- Other racing jurisdictions rely on the profitability of their own racetracks, which are affected by Commission decisions on race dates and simulcasting. In addition, neighboring racing jurisdictions often license many of the same people as the Commission and seek to exchange licensing and enforcement information.
- The racing industry and its regulatory process may affect other Texas governmental entities, including the judicial system and local law enforcement.

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2010, the agency met or exceeded three of its five performance outcome measure targets: increase the percentage of compliance audits passed; reduce the rate of rulings by maintaining a high percentage of investigations resulting in disciplinary action; and having a high percentage of licensees with no recent violations.

The Commission completed the implementation of an electronic fingerprinting process with new equipment that allows the agency to receive background information more timely. The process, requiring additional data entry and a considerable learning curve, has increased the time it takes to issue a new occupational license. The percentage of race animals injured or dismissed from racing has been affected by the Commission emphasizing, to both horse and greyhound trainers, the importance of reporting all racing related injuries, including those that occur during training. Several factors affect the number of animal injuries, including the condition and quality of the racing surface, the overall quality of racing stock, and the frequency that a race animal competes.

The Executive Division coordinated six regular Commission meetings and one special meeting. The General Counsel coordinated rule reviews for Chapters 307, 321, and 323 as required by Government Code §2001.039. During the year, the Commission adopted amendments to three rules and proposed amendments to fourteen additional rules.

TECHNOLOGY

In 2010, the Information Technology (IT) department completed more than 100 database change requests, 115 programming requests, and 40 service requests. Due to budget concerns in 2009, the IT department did not replace or upgrade any servers or PCs. In 2010, the agency began the process of upgrading the agency's PCs to the Windows 7 operating system. Twenty-five of the agency's 75 PCs were replaced with Windows 7 machines. The agency also purchased and deployed a new e-mail server to host the agency's new e-mail, calendar, and collaboration application.

Process of upgrading
equipment begins

In May 2010, the agency began migrating its Oracle database to the latest version. The installation was completed in the fall of 2010; however, the testing and debugging of the database forms and reports will continue into the spring of 2011.

The IT department focused most of its resources on upgrading, migrating, and testing agency applications on these new platforms.

REGULATORY

In 2010, pari-mutuel auditors reviewed wagering data on 6,471 live races and 686,106 simulcast races to ensure proper collection and distribution of funds. A total of 2,182 import

and export simulcast requests were reviewed for compliance with the Texas Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

The Pari-Mutuel Advisory Committee met a total of four times throughout the year to undertake a complete review of Chapter 321 of the Texas Rules of Racing. This particular chapter deals with the regulation of all aspects of pari-mutuel wagering. The last complete review of this chapter was in 2005. The meetings resulted in thirteen rule revisions and two new wagering pools being proposed.

In 2010, the agency contracted with BMM Compliance, an independent testing laboratory, to review the Commission's existing rules on Totalisator Requirements and Operating Environment. Totalisator systems are the complex computerized pari-mutuel systems that register and compute the wagering and payoff amounts in pari-mutuel wagering. During a review of the totalisator systems conducted in 2008, Gaming Laboratories International recommended that the Texas standards (rules) be reviewed and updated to reflect technological advances. The current totalisator rules were adopted in 2001. Since that time, there have been numerous changes and advances to the technology that run these systems.

**Emphasis placed on
major update of
totalisator standards**

BMM Compliance is a globally independent testing laboratory that has been providing standards, assessment, evaluation, and testing of totalisator wagering systems since 1981. BMM presented updated standards to address computer and network technologies, as well as standards for wagering devices.

The Texas Racing Commission met with the Association of Racing Commissioners International to review these standards and consider adopting them as model rules for wagering systems. With the growth of interstate simulcasting, regulation of totalisator systems will be more efficient when conducted from a national perspective.

The Commission completed its sixth full year of participation in the TexasOnline program, a Web-based program that provides the public the convenience of applying for a myriad of state services online. During 2010, approximately 8.89 percent of all individual and business renewals were processed through the online program. This represents a slight decrease from 2009. New license applications via the TexasOnline program accounted for 4.52 percent of all new applications received.

**Use of online application
process decreases**

In 2010, a total of 8,575 occupational licenses and 82 business licenses were issued, down more than 10 percent from 2009. The decline in licenses issued is directly attributable to the overall decline in the racing industry in Texas.

Of the occupational licenses issued, new licenses accounted for 2,806, while renewals accounted for 5,769. The 82 business licenses consisted of 8 kennel licenses and 74 vendor licenses. There were 850 trainer-type licenses, 134 jockey licenses, and 6 apprentice jockey licenses issued during the year. The largest number of licenses issued was for individual owners, which totaled 2,585. Track employee licenses followed with a total of 2,376 issued.

The remaining 2,624 licenses were issued among the other license categories, including exercise riders, kennel helpers, veterinarians, and multiple owners.

**Comprehensive
guides published**

Following an in-depth staff review, significant revisions were made to both the written and practical sections of the horse trainer examinations. In conjunction with these revisions, the Texas Racing Commission published a comprehensive study guide to assist prospective trainers in preparing for the examination.

Stewards and judges issued a total of 510 disciplinary rulings, with 371 resulting in fines, 173 resulting in suspensions, and zero resulting in revocation. There were a total of 12 applications for licensure denied due to ineligibility. One appeal was filed during 2010 and remains pending as of January 2011.

One disciplinary report was issued by the Executive Director during 2010 for violation of the Commission's rules with a penalty of \$250.

INVESTIGATIONS

During calendar year 2010, the Investigations department worked 297 cases as compared to 263 in 2009. Case referrals to the Board of Stewards/Judges for animal drug positives increased, with 72 animals testing positive in 2010, compared to 54 in 2009. Human drug positives decreased, with 28 human positives in 2010, compared to 34 in 2009.

By allocating resources tactically and acting cooperatively with the Texas Department of Public Safety (DPS) and local law enforcement agencies, the department strives for voluntary compliance with agency rules. The critical assistance from these entities helps ensure the safety of the public, participants, and animals involved in racing.

**Enforcement, a
collaborative effort**

Investigators, along with the DPS and local law enforcement, continue to perform random inspections at all active licensed racetracks and licensed training centers. These inspections resulted in 30 contraband case referrals to the Board of Stewards/Judges.

ANIMAL EXAMINATIONS / DRUG TESTING

Commission veterinarians must examine each animal that is entered in a pari-mutuel race to determine its health and soundness for racing. During 2010, Commission veterinarians performed 32,891 greyhound and 18,236 equine pre-race examinations.

Commission veterinarians supervised the collection of 6,632 greyhound urine specimens, 4,282 equine urine specimens, and 4,487 equine blood specimens. These specimens were submitted to the Texas Veterinary Medical Diagnostic Laboratory, the Commission's authorized drug testing laboratory. The laboratory tested the specimens for substances that could alter the outcome of a race or would interfere with the detection of illegal drugs.

Pursuant to the authority granted by Commission rule, the Executive Director has promulgated a classification system for prohibited drugs, chemicals, and other substances as a means of assessing penalties.

The classification system for greyhounds separates drugs into six classes based on their effect on the greyhounds. Of the nine prohibited substances detected in greyhounds during 2010, four were Class 5 substances and five were Class 6 substances. These represent the two lowest classes, therefore, having the least effect on the greyhounds.

The classification system for equines consists of five classes. Of the 66 drug violations detected in racehorses during 2010, one was a Class 1 substance, three were Class 2 substances, 16 were Class 3 substances, seven were Class 4 substances, and 13 were Class 5 substances. Additionally, there were twenty-five detections for unclassified substances and one failure to administer violation for a horse on the Furosemide Program. The majority of the horse positives were generally the result of inadvertent or improperly timed administration of medications considered to have therapeutic value in the horse but unlikely to be of a performance enhancing nature.

The Commission began testing for anabolic steroids in January 2009. The Commission provided advance notice of the testing, to ensure that horsemen and their veterinarians had adequate time to adjust their medication regimen. The effort has been very successful. As of December 31, 2010, there have been no anabolic steroid positives.

Second year testing
resulted in no equine
anabolic steroid positives

RESULTS OF DRUG TESTING

2010 COMPARED TO 2009

GREYHOUND			HORSE		
	2009	2010		2009	2010
No. of Starters	39,707	32,891	No. of Starters	21,352	18,236
No. of Samples	7,599	6,632	No. of Samples	5,317	4,487
Drug (Classification)			Drug (Classification)		
Acetylsalicylic Acid (4)	5	0	Caffeine (3)	1	1
Caffeine (4)	0	0	Clenbuterol (3)	2	13
Diazepam (2)	0	0	Dexamethasone (4)	1	2
Dimethylsulfoxide (5)	0	0	Dextrophan (4)	1	0
Ephedrine (3)	0	0	Dimethylsulfoxide (5)	1	1
Gammahydroxyphenylbutazone	0	0	Firolxib (4)	0	1
Hydroxylicocaine (3)	0	0	Flunixin (4)	5	3
Lidocaine (3)	0	0	Fluphenazine (2)	1	3
Phenylpropanolamine (3)	0	0	Furosemide Overage (n/a)	1	0
Polyethyleneglycol (6)	0	3	Furosemide not found in		
Procaine (6)	1	2	Furosemide Program Horses (n/a)	1	1
Sulfadimethoxine (5)	0	4	Guaifenesin (4)	1	1
Sulfamethazine (6)	0	0	Hydroxylicocaine (2)	2	0
Theobromine (4)	0	0	Lidocaine (2)	2	0
Theophylline (3)	0	0	Methylprednisolone (4)	1	0
2-(1-hydroxyethyl) -			Morphine (1)	0	1
7-Hydroxypropazine (3)	0	0	Phenylbutazone (n/a)	21	25
TOTAL	6	9	Polyethyleneglycol (5)	0	5
			Sulfadimethoxine (5)	0	2
			Sulfadiazine (5)	9	4
			Sulfamethazine (5)	1	0
			Sulfamethoxazole (5)	2	1
			Theophylline (3)	1	0
			Trimethoprim (5)	10	0
			Xylazine (3)	0	1
			Zilpaterol (3)	0	1
			2-(1-hydroxyethyl)-7		
			Hydroxypropazine (3)	1	0
			TOTAL	65	66

GREYHOUND DRUG CLASSIFICATION SCHEDULE

- Class 1 substances have the highest pharmacologic potential to affect performance and have no generally accepted medical use in racing greyhounds.
- Class 2 substances are prominent central nervous system stimulants in the lesser DEA schedules.
- Class 3 substances include non-scheduled drugs that have no generally accepted therapeutic use in racing greyhounds, drugs that could alter performance in a normal, healthy greyhound, drugs that have a high potential for abuse as local anesthetics and potent diuretics with potential for diluting urine.
- Class 4 substances are non-scheduled drugs with cardiac or respiratory effects, mild sedatives and steroidal anti-inflammatory drugs with short withdrawal times indicating race day administration.
- Class 5 substances are therapeutic medications routinely used to restore the healing of an ailing greyhound.
- Class 6 substances are local anesthetics likely to produce urinary levels due to factors other than use as a nerve-blocking agent and substances likely to interfere with testing procedures.

HORSE DRUG CLASSIFICATION SCHEDULE

- Class 1 substances are stimulants and depressants that have the highest potential to affect performance and have no generally accepted medical use in racehorses.
- Class 2 substances have a high potential for affecting the outcome of a race and are not generally accepted as therapeutic agents in racehorses or they have therapeutic agents that have a high potential for abuse.
- Class 3 substances may or may not have a generally accepted therapeutic use in racehorses and have less potential for affecting the performance or a racehorse than Class 2 substances.
- Class 4 substances are therapeutic medications with a limited ability to influence performance that are routinely used in racehorses.
- Class 5 substances are therapeutic medications for which concentration limits have been established.

INSPECTION PROGRAM

The Commission has a mission to ensure pari-mutuel racing is conducted in a manner that protects the participants and the public. To accomplish this mission, the Commission developed a comprehensive inspection program for pari-mutuel racetracks and licensed training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and gain compliance with Commission rules.

INSPECTIONS BY AREA

The Commission's inspection program is separated into six inspection areas:

- Safety and Security inspections focus on all security aspects of the facility, including outdoor lighting and fencing. Other areas reviewed include medical and first aid services, fire prevention measures, including inspecting the barns to ensure proper storage for hay and feed.
- Administrative Operations inspections center on a review of association ownership records, bookkeeping, and accounting systems. These inspections also include a review of the facility from the patron's viewpoint, including cleanliness of patron facilities and amenities, posting of pertinent public notices, and proper signage on automatic banking machines.
- Live Racing Operations inspections focus on all aspects of animal housing, including maintenance and cleanliness of barns and kennel areas. These inspections also cover the condition of the track surface, starting gates and boxes, rails, and distance markers.
- Animal Health and Safety/Drug Testing Operations inspections cover the drug testing facilities and equipment, the treatment areas, and the equine ambulance. The inspections include a review of the overall maintenance of the backside areas with emphasis on ensuring a safe environment for both animals and licensees.
- Pari-mutuel Wagering Operations inspections include a review of all aspects of the wagering operations, including the track's mutuel department, the totalisator company's operations, and all related wagering equipment.
- Training Track inspections focus on the facility's overall track condition, including the track surface, starting gate, rails, and distance markers. Other areas of focus include checking for proper licensing of training facility personnel and those bringing horses for official works.

2010 Inspections by Area

Type of Inspection	Number of Inspections
Safety and Security	21
Administrative Operations	9
Live Racing Operations	22
Animal Health and Safety/Drug Testing Operations	20
Pari-mutuel Wagering Operations	28
Training Tracks	9
TOTAL	109

INSPECTIONS BY TRACK

Of the 109 inspections, 45 were scheduled, 46 were random, and 18 were follow-up inspections. Seventy-two, or 79 percent, of the scheduled and random inspections indicated 100 percent compliance, with no remedial action required subsequent to initial inspection.

- Horse tracks are inspected before the opening of the live racing season and unannounced inspections are conducted during the live racing meet.
- Greyhound tracks are inspected twice each year with periodic unannounced inspections occurring throughout the year.
- Training tracks are inspected at least twice each year. Training facilities may provide official workouts for horses if licensed and inspected by the Commission.

2010 Inspections by Track

Track Name	Number of Inspections
Gulf Coast Racing	6
Gillespie County Fair & Race Barn	11
Gulf Greyhound Park	24
Lone Star Park at Grand Prairie	18
Manor Downs	10
Retama Park	11
Sam Houston Race Park	12
Valley Race Park	8
Delta Training Center	3
Diamond D Ranch Training Center	2
Oakleaf Training Center	2
Pink Crown Farms Training Center	2
TOTAL	109

TEXAS-BRED INCENTIVE PROGRAM

The Texas Racing Act provides purse supplements and monetary awards to breeders and owners of Texas-bred horses and greyhounds to encourage the horse and greyhound breeding industries.

GREYHOUND PROGRAM

Funding for the Texas-Bred Greyhound Incentive Program is derived from:

- fifty percent of the total breakage from live, simulcast same-species, and simulcast cross-species handle; and
- one percent of all multiple two and multiple three wagers from simulcast same-species and simulcast cross-species handle.

The 50 percent of breakage and the one percent of multiple two and three wagers are paid to the Texas Greyhound Association (TGA). The breakage money is dedicated 50 percent to stakes races and 50 percent for administration of the Accredited Texas Bred (ATB) program. The money received from multiple two and three wagers is paid as awards to those owners of Texas-bred greyhounds finishing first in races run at Texas tracks. Once a month these funds are distributed by dividing the monthly total available for awards by the number of winning Texas-bred greyhounds for that month.

Two percent of the total money from breakage received by the TGA must be set aside for grants for rehabilitating or locating homes for greyhounds. The procedures and criteria for applying for a grant were finalized by the TGA

and approved by the Commission in 1999. During 2010, nine grants were distributed from this source of funding to qualified Texas non-profit rehabilitation and adoption groups totaling \$2,475.

Purse money earned from interstate simulcast wagering on greyhound races at a horse track is also paid to the TGA for use at Texas greyhound racetracks.

This source of purse money resulted in \$1,423,042 going to purses at Gulf Greyhound Park during 2010. This represents an overall increase of \$21,623 or approximately 2 percent from 2009.

HORSE PROGRAM

The Texas Racing Act authorizes an incentive award for each owner, breeder, and stallion owner of an accredited Texas-bred horse that finishes first, second, or third in any race other than a Texas-bred stakes race. The awards are funded from:

- breakage from all pari-mutuel pools; and
- one percent of all multiple two and multiple three wagers from live, simulcast same-species, and simulcast cross-species handle.

A Texas-bred stakes race supplement is funded from 9.8 percent of the breakage from all pari-mutuel pools. This money is retained by the racetracks for distribution through the horsemen's bookkeeper. Horses finishing in an accredited Texas-bred stakes race receive an incentive award as a purse supplement according to the payout conditions of the race.

The remaining money is distributed on a 40 percent, 40 percent, and 20 percent split, respectively, among the owners, breeders, and stallion owners of the accredited Texas-bred horse.

The Texas Racing Act names the official breed registries that are responsible for determining the qualifications for Texas-bred accreditation, maintaining the eligibility lists, and distributing the monetary awards: the Texas Thoroughbred Association, the Texas Quarter Horse Association, the Texas

Appaloosa Horse Club, the Texas Arabian Breeders Association, and the Texas Paint Horse Breeders Association.

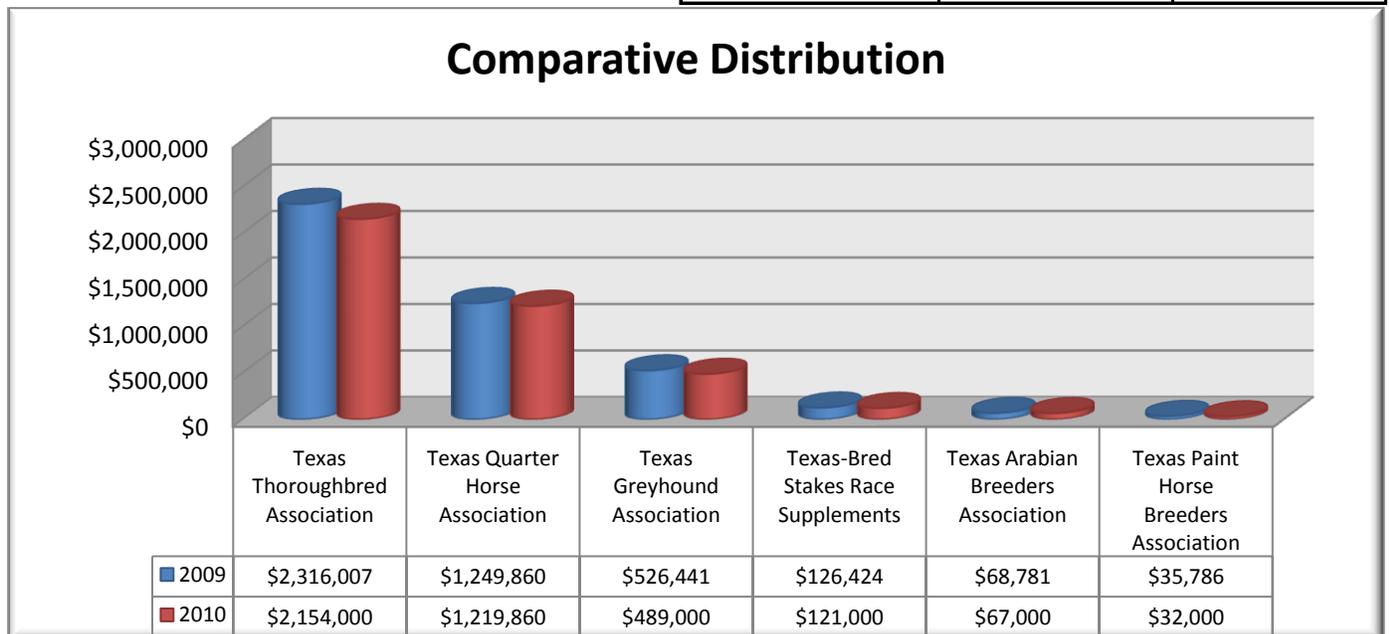
In November 1998, the Texas Appaloosa Horse Club requested to be withdrawn from the program due to lack of participation. The Commission forwarded the request to the legislature for its consideration but no action has ever been taken. No funds were distributed to the Texas Appaloosa Horse Club during 2010.

(See Appendix, page 71 for a directory of all official Texas breed registries.)

Texas-Bred Incentive Program

Comparative Distributions Year 2010 vs. Year 2009

	2009	2010	% Change
Texas Thoroughbred Association	\$2,316,007	\$2,154,000	-7.00%
Texas Quarter Horse Association	\$1,249,860	\$1,219,860	-2.40%
Texas Greyhound Association	\$526,441	\$489,000	-7.11%
Texas-Bred Stakes Race Supplements	\$126,424	\$121,000	-4.29%
Texas Arabian Breeders Association	\$68,781	\$67,000	-2.59%
Texas Paint Horse Breeders Association	\$35,786	\$32,000	-10.58%
Texas Appaloosa Horse Club	\$0	\$0	0.00%
TOTAL	\$4,323,299	\$4,082,860	-5.56%



EQUINE RESEARCH PROGRAM

The Texas Equine Research Account Advisory Committee (TERAAC) consists of 11 members who represent the horse industry and academia as specified by the legislature in the 1991 amendment to the Texas Racing Act. The Texas Racing Act mandates that a portion of wagers made at horse tracks fund equine research for racehorses. TERAAC serves to provide expertise for evaluation of proposals for equine research and to provide a conduit for communication among equine scientists and representatives of the horse racing industry. TERAAC meets twice each year in College Station. The Equine Research Account is administered by the Director of Texas AgriLife Research, which is an agency of the Texas A&M University System. The legislature has not appropriated funds from horse racing wagers to the Equine Research Account since 2005. Texas AgriLife Research provided \$151,500 to fund equine research during the 2008-2009 biennium. TERACC recommended, and the director approved, funding for seven research proposals which addressed issues related to equine genetics, nutrition, health, and breeding, and those studies were completed in August 2009. Texas AgriLife Research was not able to dedicate funds to the Equine Research Account for the 2010-2011 biennium.

Dr. Dwayne Marcum, President, and Dr. Doug Byars, both founding members of the Equine Health and Welfare Alliance (EHWA) in Kentucky, were invited by Dr. Dickson Varner, Vice Chair of TERAAC to the April 14, 2010, meeting to describe the progress of this new initiative. The goals of EHWA include promotion of research to improve equine health along with coordinated efforts to identify issues affecting treatment of horses and to improve the quality of horse-rescue operations. The presentation on the EHWA stimulated valuable discussion of ideas to enhance funding for equine research in Texas. Ongoing equine research and education activities at Tarleton State University, Texas Tech University, and Texas A&M University were also summarized by members of TERAAC. Updates on horse racing activities were presented by the representatives of the equine breed associations and by Chuck Trout, Deputy Director for Racing Oversight of the Texas Racing Commission.

The agenda for the August 11, 2010, meeting of TERAAC included a report presented by Dr. Craig Nessler, Director, and Dr. David Lunt, Associate Director, from Texas AgriLife Research. Chuck Trout, Deputy Director for Racing Oversight, discussed the expected reduction in racing dates and Dr. Ken Quirk, Chief Veterinarian, provided an update on piroplasmosis from the Texas Racing Commission. Updates on equine research projects at Texas Tech University, Tarleton State University, and Texas A&M University were presented. Dr. Bhanu Chowdhary, Associate Dean, College of Veterinary Medicine and Biomedical Sciences, provided an update on equine genomics research that has received significant federal funding due to the initial data generated by funding provided through the Equine Research Account.

The Equine Research Account Advisory Committee, in conjunction with the Texas Racing Commission, underwent Sunset review during the 81st Legislature. Legislation concerning TERAAC was not passed during the Regular Session. TERAAC was continued until September 1, 2011, in legislation passed during the First Called Session. The Sunset Committee will conduct a re-review of TERAAC for 2011. Drs. Craig Nessler and David Forrest traveled to Austin on December 16, 2010, to serve as resource personnel for the Sunset Advisory Commission testimony on TERAAC. There has been no change to date in the recommendation by Sunset Advisory Commission staff to abolish the TERAAC and continue Texas AgriLife Research's authority to expend appropriated Equine Research Account funds.

INDUSTRY HIGHLIGHTS

To present a more complete picture of the Texas racing industry, the Commission includes the following information, submitted by Texas racing industry organizations.

TEXAS ARABIAN BREEDERS ASSOCIATION

The Texas Arabian Breeders Association (TABA) once again hosted the Annual Arabian Racing Cup's Darley Awards. The nation's top Arabian horses, owners, breeders, trainers, and jockeys for 2010 were recognized at the event. Five accredited Texas-bred horses of various ages were nominated for awards along with TABA board member Sam Vasquez, who was up for owner of the year.

The continuing loss of racing opportunities, as race dates are being scaled back, along with the reduction of available purse funds, are concerns faced by TABA and the industry as a whole.

TABA's Annual Stallion Breeding Auction posted increases in the number of breeding donated and in the number of breeding sold.

TEXAS GREYHOUND ASSOCIATION

The Texas Greyhound Association (TGA) is the officially designated greyhound breed registry for accredited Texas-bred greyhounds. In 2010, Texas greyhound owners and breeders registered 1,896 greyhound puppies as Texas-bred, representing an 18 percent decrease from 2009 registrations.

The TGA paid out \$50,000 in the Texas Round-Up Stakes race in 2010, and over \$487,000 in monthly Texas-bred Owner Awards. The TGA also paid out over \$2,000 in grants to various charitable organizations for the adoption of retired greyhound racers.

Texas-bred greyhounds again dominated the stakes events and were the top sellers in the National Greyhound Association biannual meet and auction in Abilene, Kansas.

The TGA and Gulf Greyhound Park co-hosted two Greyhound Safety and Track Surface Seminars during 2010. These seminars were attended by regulators, veterinarians, and management from tracks across the country and focused on keeping racing safe for greyhounds.

TEXAS QUARTER HORSE ASSOCIATION

As in years past, accredited Texas-bred American Quarter Horses competed at the highest levels throughout 2010. Accredited Texas-bred STOLIS WINNER became the richest American Quarter Horse with earnings

of \$2,153,198 and surpassed the great REFRIGERATOR. It is only fitting that a horse bred and raised in Texas reigns superior.

Texans pulled off one of the biggest upsets of the year by winning Quarter Horse racing's preeminent event, the \$2 Million All American Futurity at Ruidoso Downs, New Mexico. Hailing from Balch, Texas, representatives of Tremor Enterprises watched as MR PILOTO secured their spot in racing history.

The Texas Quarter Horse Association (TQHA) Annual Yearling Sale moved to The Great Southwest Equine Center in Katy, Texas, for the first time in the thirteen-year history of the event. Introduced during the sale was a "halter" event, held for race-bred American Quarter Horses. "Halter Mania" was an enormous success and one that created a true spirit of cooperation between horsemen.

Eight accredited Texas-breds, four of which were graduates of the TQHA Yearling Sale, and three TQHA lifetime members were nominated to the American Quarter Horse racing champion's ballot. TQHA Life member Bobby Cox earned the Champion Owner award and his AMERICAN RUNAWAY was named champion two-year-old colt and champion two-year-old.

Many TQHA board members attended a strategic planning session in February at the TQHA office in Austin. The resulting plan should assist the TQHA to operate more efficiently and face the challenges that lay ahead.

TEXAS PAINT HORSE BREEDERS ASSOCIATION

The Texas Paint Horse Breeders Association (TPHBA) continued to push forward in 2010. To encourage and promote Texas breeding, the Accredited Texas Bred program dispersed over \$32,000 to owners and breeders for the 2009 racing year.

Sam Houston Race Park and Lone Star Park continue to offer support to the TPHBA. The Grade 1 Lone Star Paint & Appaloosa Futurity remains the richest stakes race in Texas, offering over \$60,000 in purse money. Two new Paint Horse track records were set in 2010. TURBO JUDY set a new 250-yard track record at Manor Downs while HUERFANO set a new 350-yard track record at Gillespie County Fairgrounds.

TPHBA continues to receive support from, and participation in, the Texas H.O.R.S.E. (Horse Organization for Racing, Showing, and Eventing) program.

TEXAS THOROUGHBRED ASSOCIATION

The 2010 Texas Thoroughbred Association (TTA) annual awards banquet took place in February at Sam Houston Race Park in conjunction with the running of two divisions of the TTA's Texas Stallion Stakes Series. Awards were presented to the owners and breeders of the champion Texas-breds in each racing division in 2009, with Texas Horse of the Year honors being accepted by Eileen Hartis for her homebred Grade I stakes winner, PRINCESS HAYA.

On North American racetracks, two Texas-breds, TAPTAM and CHIEF OF AFFAIRS, earned the status of graded stakes-placed horses, meaning they were successful at the top levels of competition. TAPTAM ran second to the people's choice, ZENYATTA, when they met in April at the \$500,000 Apple Blossom Invitational at Oaklawn Park in Arkansas. TAPTAM would eventually claim the 2010 Horse of the Year and Eclipse Award Champion Older Female. She earned 37 Texas-bred Champion Points, more than any other Texas-bred, thanks to her three stakes wins and three second place finishes in nine starts. Bred by Dallas businessman Wayne Sanders, who races TAPTAM in partnership with Larry Hirsch, TAPTAM has earned just over \$500,000.

CHIEF OF AFFAIRS finished second to CUSTOM FOR CARLOS in the \$150,000 Count Fleet Stakes at Oaklawn in April. Bred by Dr. Jacquelyn Rich, who was elected to her fourth consecutive term as TTA President in 2010, CHIEF OF AFFAIRS proved to be one of the fastest horses of the year, winning twice, finishing second twice, and finishing third once, all in just six starts. He has now earned over \$195,000.

Texas topped the national lists of both leading owners and trainers in 2010. WinStar Farm LLC, operated by Bill Casner of Flower Mound and Kenny Troutt of Dallas, led the owners' standings in earnings with over \$5.1 million and won two-thirds of the Triple Crown with Kentucky Derby winner SUPER SAVER and Belmont Stakes victor DROSSELMEYER.

Heiligbrodt Racing Stable finished sixth with over \$3.6 million in earning by their runners. The Texas Thoroughbred Education Fund (TTEF) awarded \$19,000 in scholarships to nine deserving college students whose parents are TTA members. Since its creation, the TTEF has awarded over \$172,000 to enhance education opportunities.

TEXAS HORSEMEN'S PARTNERSHIP

The Texas Horsemen's Partnership, LLP (THP) was recognized by the Texas Racing Commission as the official horsemen's organization to represent all owners and trainers licensed in Texas.

In early 2010, the election of officers by THP's partners was conducted. Jan J. Haynes was re-elected President of the Texas Thoroughbred Horsemen's Benevolent & Protective Association and Dr. Tommy Hays was re-elected as President of the Texas Horsemen's Benevolent & Protective Association. Dr. Hays was also elected Chairman of the THP Management Committee for 2010.

Terry Blanton and Tooter Jordan continued to serve as Directors of Race. Both are closely involved with the horsemen at the racetracks and monitor issues of concern to horsemen. By utilizing this organizational structure, THP continues to have a strong presence despite a reduction in staff. Marsha Rountree continued her role as Interim Executive Director as well as Controller for THP.

Breed splits, the Cross Species Global Agreement, and race date negotiations were some of the important issues which faced THP in 2010. In addition, Jan Haynes and Marsha Rountree served on the *Study on the Current State of Horse and Greyhound Racing in Texas* task force.

THP continued to provide on-track physician services, flu shots, horsemen's dinners, shuttle services to offtrack venues, and management of The Horsemen's Bookkeeper. For calendar year 2010, Texas Horsemen's Assistance Fund, Inc. (THAFI), provided assistance with medical, dental, and vision expenses to over 300 members as well as funeral cost assistance and emergency relief aid. THAFI maintained its support of the Racetrack Chaplaincy, LOPE, and The Elite Program.

2010 Purse Statistics

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE
Earned Purse	\$5,157,514	\$14,476,501	\$281,700	\$86,000	\$20,001,715
Texas Bred Stakes	\$45,000	\$60,000	\$0	\$0	\$105,000
Stakes	\$3,622,719	\$681,670	\$57,700	\$73,848	\$4,435,937
Sponsors	\$318,165	\$425,625	\$23,300	\$0	\$767,090
ATB Sponsored Purse	\$49,638	\$168,809	\$10,000	\$0	\$228,447
TOTAL PURSES PAID	\$9,193,036	\$15,812,605	\$372,700	\$159,848	\$25,538,189
Average Daily Purses Paid at All Meets	\$98,850	\$109,052	\$9,556	\$39,962	\$90,883

NOTE: Texas Appaloosa Horse Club no longer participates in the Texas-bred Program.

Source of Funds	TOTAL GREYHOUND	Source of Funds	2009 HORSE & GREYHOUND	2010 HORSE & GREYHOUND	% CHANGE
Earned Purse	\$1,367,615	Earned Purse	\$25,983,856	\$21,369,330	-17.76%
Texas Bred Stakes	\$0	Texas Bred Stakes	\$122,776	\$105,000	-14.48%
Stakes	\$51,500	Stakes	\$5,053,895	\$4,487,437	-11.21%
Sponsors	\$60,000	Sponsors	\$1,086,945	\$827,091	-23.91%
TGA Cross Species Purse Supplements	\$1,423,042	TGA Cross Species Purse Supplements	\$1,312,123	\$1,423,042	8.45%
TOTAL PURSES PAID	\$2,902,158	ATB Sponsored Purse	\$75,200	\$228,447	203.79%
Avg. Purses Paid per Performance	\$8,316	TOTAL PURSES PAID	\$33,634,795	\$28,440,346	-15.44%

Summary of All Texas Greyhound Racetracks from 1/1/2010 through 12/31/2010

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	277	n/a	1,439	1,379	3,095	277	2,818	3,095
# of Performances	349	n/a	11,738	11,205	23,292	349	22,943	23,292
Attendance	125,252	n/a	146,326	104	271,682	125,252	146,430	271,682
Net Handle	\$10,855,337	\$14,908,678	\$27,072,443	\$27,041,390	\$79,877,848	\$25,764,015	\$54,113,833	\$64,969,170
Horse Purse				\$65,220	\$65,220	\$0	\$65,220	\$65,220
Greyhound Purse	\$542,760	\$319,148	\$885,245	\$152,028	\$1,899,181	\$861,908	\$1,037,273	\$1,580,033
TTA Purse				\$193,419	\$193,419	\$0	\$193,419	\$193,419
TQHA Purse				\$193,419	\$193,419	\$0	\$193,419	\$193,419
TGA Purse				\$0	\$0	\$0	\$0	\$0
Escrowed Horse Purse				\$1,139,196	\$1,139,196	\$0	\$1,139,196	\$1,139,196
TX Horsemen's Partnership				\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse				\$152,420	\$152,420	\$0	\$152,420	\$152,420
Texas Bred			\$252,468	\$187,500	\$439,968	\$0	\$439,968	\$439,968
State Tax			\$270,685	\$337,671	\$608,356	\$0	\$608,356	\$608,356
Hub Fee				\$387,286	\$387,286	\$0	\$387,286	\$387,286
Simulcast Fee			\$731,203	\$1,089,815	\$1,821,018	\$0	\$1,821,018	\$1,821,018
Racetracks	\$1,876,569	\$453,655	\$4,123,132	\$1,752,010	\$8,205,366	\$2,330,224	\$5,875,142	\$7,751,711
Total Commissions	\$2,419,329	\$772,803	\$6,262,733	\$5,649,984	\$15,104,849	\$3,192,132	\$11,912,717	\$14,332,046
Breakage	\$32,758	\$0	\$42,102	\$131,600	\$206,460	\$32,758	\$173,702	\$206,460

Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks:

\$14,908,678 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
\$54,113,833 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
-\$39,205,155 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

**Summary of All Texas Horse Racetracks
from 1/1/2010 through 12/31/2010**

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	218	n/a	2,045	2,575	4,838	218	4,620	4,838
# of Performances Attendance	218 886,944	n/a n/a	24,788 555,754	11,687 2,497	36,693 1,445,195	218 886,944	36,475 558,251	36,693 1,445,195
Net Handle	\$31,209,086	\$131,580,906	\$225,161,864	\$34,477,656	\$422,429,512	\$162,789,992	\$259,639,520	\$290,848,606
Horse Purse	\$2,339,068	\$1,809,607	\$16,407,411	\$430,603	\$20,986,689	\$4,148,675	\$16,838,014	\$19,177,082
Greyhound Purse				\$259,514	\$259,514	\$0	\$259,514	\$259,514
TTA Purse					\$0	\$0	\$0	\$0
TQHA Purse					\$0	\$0	\$0	\$0
TGA Purse				\$1,636,530	\$1,636,530	\$0	\$1,636,530	\$1,636,530
Escrowed Horse Purse					\$0	\$0	\$0	\$0
TX Horsemen's Partnership					\$0	\$0	\$0	\$0
THP Escrow Horse Purse					\$0	\$0	\$0	\$0
Texas Bred	\$175,135				\$175,135	\$175,135	\$1,980,622	\$2,155,757
State Tax					\$2,682,098	\$0	\$2,682,098	\$2,682,098
Hub Fee				\$446,182	\$446,182	\$0	\$446,182	\$446,182
Simulcast Fee			\$8,509,195	\$962,747	\$9,471,942	\$0	\$9,471,942	\$9,471,942
Racetracks	\$4,012,484	\$2,854,601	\$18,781,433	\$3,467,358	\$29,115,876	\$6,867,085	\$22,248,791	\$26,261,275
Total Commissions	\$6,526,687	\$4,664,208	\$47,618,100	\$7,945,593	\$66,754,588	\$11,190,895	\$55,563,693	\$62,090,380
Breakage	\$215,446	\$0	\$868,350	\$65,822	\$1,149,618	\$215,446	\$934,172	\$1,149,618

Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks:

\$71,581,134	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
\$259,639,520	Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks
-\$188,058,386	Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks

Summary of All Texas Racetracks from 1/1/2010 through 12/31/2010

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	495	n/a	3,484	3,954	7,933	495	7,438	7,933
# of Performances	567	n/a	36,526	22,892	59,985	567	59,418	59,985
Attendance	1,012,196	n/a	702,080	2,601	1,716,877	1,012,196	704,681	1,716,877
Net Handle	\$42,064,423	\$146,489,584	\$252,234,307	\$61,519,046	\$502,307,360	\$188,554,007	\$313,753,353	\$355,817,776
Horse Purse	\$2,339,068	\$1,809,607	\$16,407,411	\$495,823	\$21,051,909	\$4,148,675	\$16,903,234	\$19,242,302
Greyhound Purse	\$542,760	\$319,148	\$885,245	\$411,542	\$2,158,695	\$861,908	\$1,296,787	\$1,839,547
TTA Purse	\$0	\$0	\$0	\$193,419	\$193,419	\$0	\$193,419	\$193,419
TQHA Purse	\$0	\$0	\$0	\$193,419	\$193,419	\$0	\$193,419	\$193,419
TGA Purse	\$0	\$0	\$0	\$1,636,530	\$1,636,530	\$0	\$1,636,530	\$1,636,530
Escrowed Horse Purse	\$0	\$0	\$0	\$1,139,196	\$1,139,196	\$0	\$1,139,196	\$1,139,196
TX Horsemen's Partnership	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Texas Bred	\$175,135	\$0	\$0	\$152,420	\$152,420	\$0	\$152,420	\$152,420
State Tax	\$0	\$0	\$0	\$499,556	\$2,595,725	\$175,135	\$2,420,590	\$2,595,725
Hub Fee	\$0	\$0	\$1,921,034	\$768,274	\$3,290,454	\$0	\$3,290,454	\$3,290,454
Simulcast Fee	\$0	\$0	\$2,522,180	\$833,468	\$833,468	\$0	\$833,468	\$833,468
Racetracks	\$5,889,053	\$3,308,256	\$9,240,398	\$2,052,562	\$11,292,960	\$0	\$11,292,960	\$11,292,960
Total Commissions	\$8,946,016	\$5,437,011	\$22,904,565	\$5,219,368	\$37,321,242	\$9,197,309	\$28,123,933	\$34,012,986
Breakage	\$248,204	\$0	\$910,452	\$13,595,577	\$81,859,437	\$14,383,027	\$67,476,410	\$76,422,426
				\$197,422	\$1,356,078	\$248,204	\$1,107,874	\$1,356,078

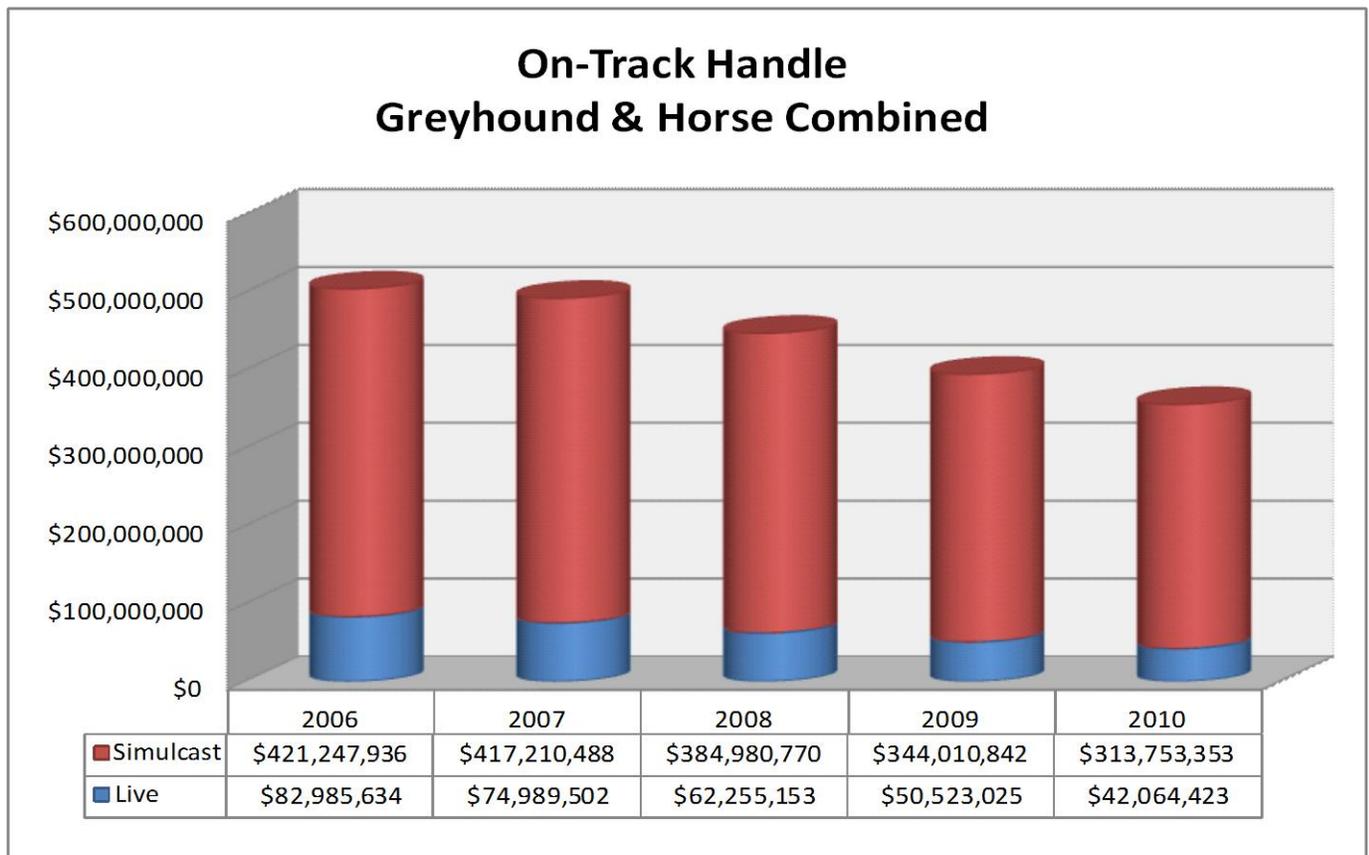
Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas racetracks:

\$86,489,812	Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
\$313,753,353	Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
-\$227,263,541	Net LOSS of wagering dollars in Texas as a result of simulcasting

Five-Year Overview of Pari-Mutuel Racing Greyhound & Horse Tracks Combined

	2006	2007	2008	2009	2010
# of Active Tracks	8	8	7	8	8
Handle On-Track:					
Live	\$82,985,634	\$74,989,502	\$62,255,153	\$50,523,025	\$42,064,423
Simulcast	<u>\$421,247,936</u>	<u>\$417,210,488</u>	<u>\$384,980,770</u>	<u>\$344,010,842</u>	<u>\$313,753,353</u>
TOTAL	\$504,233,570	\$492,199,990	\$447,235,923	\$394,533,867	\$355,817,776
Live Performances	1,298	1,255	733	578	567
# of Simulcast Signals Taken	67,118	67,727	58,119	61,264	59,418
Purses Paid	\$43,524,681	\$41,664,542	\$38,673,756	\$33,634,795	\$28,440,346
State Tax	\$4,398,721	\$4,351,865	\$4,009,199	\$3,591,738	\$3,290,455
Tx Bred \$	\$5,342,051	\$5,214,149	\$4,758,559	\$4,323,299*	\$4,082,860
Attendance	2,361,397	2,276,747	2,270,483	2,140,925	1,716,877

*The 2009 'Tx Bred \$' figure has been updated as of July 7, 2010, from the figure originally reported in the Annual Report released January 31, 2010.



**Data on this page provided by Gulf Coast Racing
For Calendar Year 1/1/2010- 12/31/2010**

Average # of Employees/Positions on Payroll	23
Total Salaries and Wages Paid	\$387,826
Total State Pari-mutuel Tax Paid	\$116,691
Total Other State Taxes Paid	\$109,043
Total Property Taxes Paid	\$100,658
Total Purchased Goods and Services	\$1,064,443
Total Charitable Contributions	\$0

2010 Highlights



Gulf Coast Racing (GCR) played civic host to several non-profit groups throughout 2010.



The Hispanic Chamber of Commerce Casino Night and Auction was held at GCR. The event drew an attendance of approximately 400 people.



GCR hosted the Insider Magazine Mixer and the Corpus Christi Builders Association with both events raising money for college scholarships. There were 350 attendees for each of the two events.



A benefit was held at GCR for cancer patient Sarah Trevino. The event was a great success drawing around 400 attendees and raising approximately \$10,000.

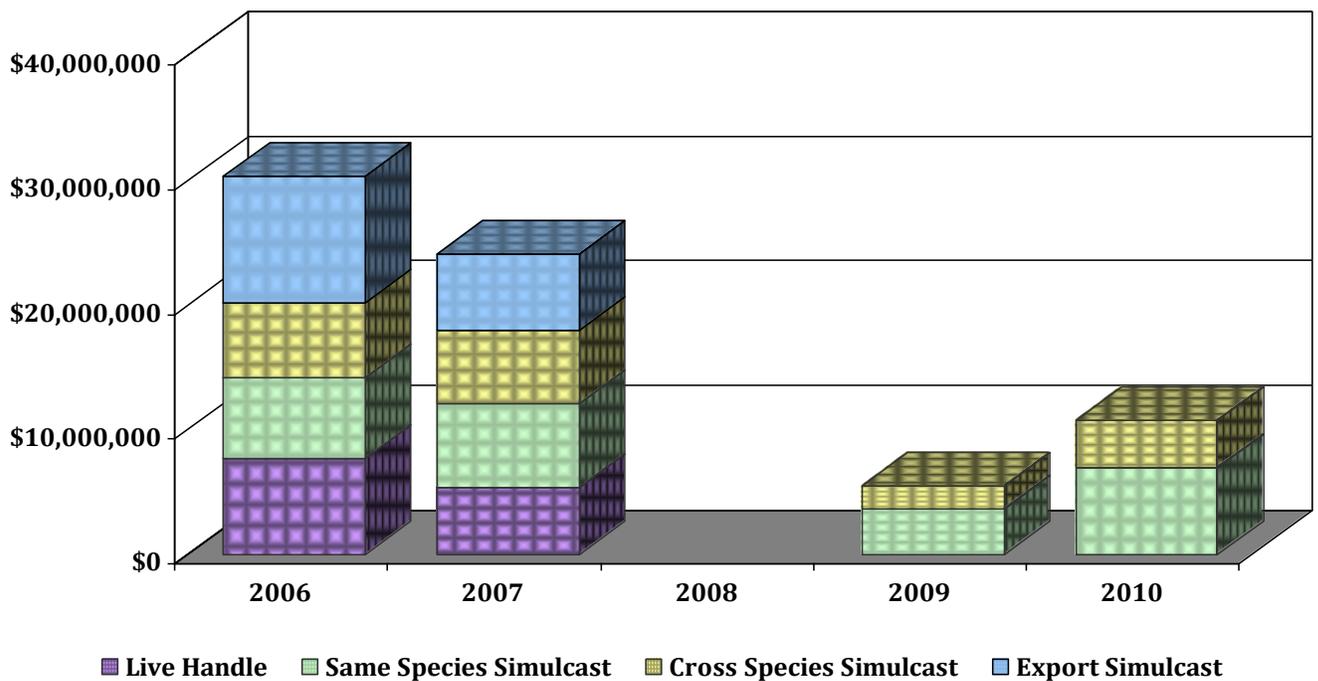


Crime Stoppers of Corpus Christi hosted a dinner at GCR for underprivileged children. At the event, Christmas presents were presented to the 500 children in attendance. In total, the event drew a crowd of approximately 600 people.

Greyhound Racetrack Gulf Coast Racing

	2009*	2010	% Change
Live On-Track Handle	\$0	\$0	N/A
Import Same Species Simulcast	\$3,613,900	\$6,901,147	90.96%
Import Cross Species Simulcast	\$1,856,268	\$3,814,334	105.48%
Total On-Track Handle	\$5,470,167	\$10,715,481	95.89%
Total Export Handle	\$0	\$0	N/A
Total Wagered on CCGRT	\$0	\$0	N/A
Average Value per Point	\$0.00	\$0.00	N/A
Average Purses Paid/Performance	\$0	\$0	N/A
Total Purses Paid	\$0	\$0	N/A
Total Live Performances	0	0	N/A
Total # of Simulcast Signals Taken	2,913	5,736	96.91%
Total Attendance	27,593	41,036	48.72%

**2006-2010
Gulf Coast Racing**



*Corpus Christi Greyhound Race Track ceased pari-mutuel operations on December 31, 2007.
*Under new ownership, Gulf Coast Racing resumed pari-mutuel operations on July 3, 2009.



**Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2010- 12/31/2010**

Average # of Employees/Positions on Payroll	206
Total Salaries and Wages Paid	\$2,957,978
Total State Pari-mutuel Tax Paid	\$338,445
Total Other State Taxes Paid	\$78,044
Total Property Taxes Paid	\$280,617
Total Purchased Goods and Services	\$5,212,208
Total Charitable Contributions	\$28,630

2010 Highlights



Gulf Greyhound Park (GGP) sponsored the LaMarque Youth Aid Project. The Project serves underprivileged children in LaMarque, Texas. GGP made a donation of bicycles to be given away during the event.



GGP hosted the Ronald McDonald Space Race with a contingent of 5,000 bicyclers attending.



GGP also hosted the Texas City-LaMarque Chamber of Commerce and the Galveston County Ronald McDonald House events.

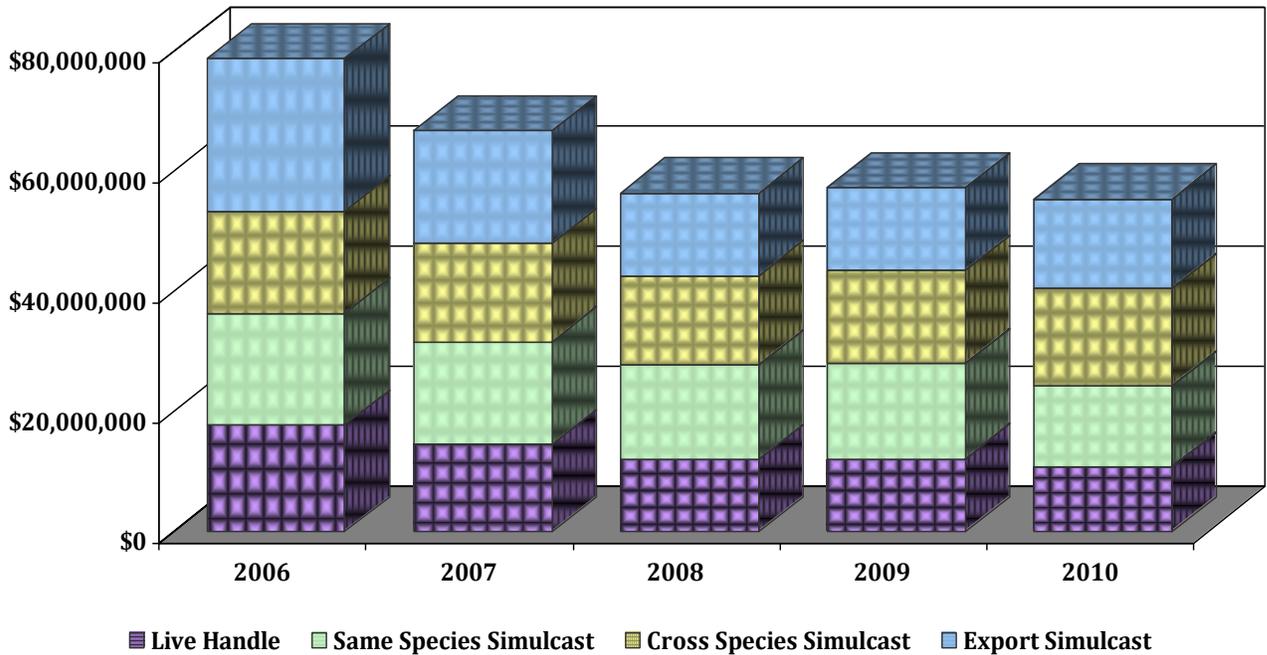


The \$50,000 Texas Greyhound Association sponsored Spring Round Up saw LOOKMYWAY of the D. Q. Williams Kennel take first place. LOOKMYWAY would also go on to win the Au Revoir New Year's Eve Race.

Greyhound Racetrack Gulf Greyhound Park

	2009	2010	% Change
Live On-Track Handle	\$12,209,773	\$10,855,337	-11.09%
Import Same Species Simulcast	\$15,854,222	\$13,459,909	-15.10%
Import Cross Species Simulcast	\$15,565,467	\$16,307,686	4.77%
Total On-Track Handle	\$43,629,462	\$40,622,931	-6.89%
Total Export Handle	\$13,783,203	\$14,908,089	8.16%
Total Wagered on GULF	\$25,992,976	\$25,763,426	-0.88%
Average Value per Point	\$67.74	\$75.92	12.08%
Average Purses Paid/Performance	\$8,824	\$8,316	-5.76%
Total Purses Paid	\$2,770,681	\$2,902,158	4.75%
Total Live Performances	314	349	11.15%
Total # of Simulcast Signals Taken	8,561	7,910	-7.60%
Total Attendance	198,306	171,628	-13.45%

2006-2010
Gulf Greyhound Park





**Data on this page provided by Valley Race Park
For Calendar Year 1/1/2010 - 12/31/2010**

Average # of Employees/Positions on Payroll	50
Total Salaries and Wages Paid	\$698,516
Total State Pari-mutuel Tax Paid	\$146,686
Total Other State Taxes Paid	\$0
Total Property Taxes Paid	\$57,064
Total Purchased Goods and Services	\$1,210,296
Total Charitable Contributions	\$2,750 (In Kind Donations)

2010 Highlights

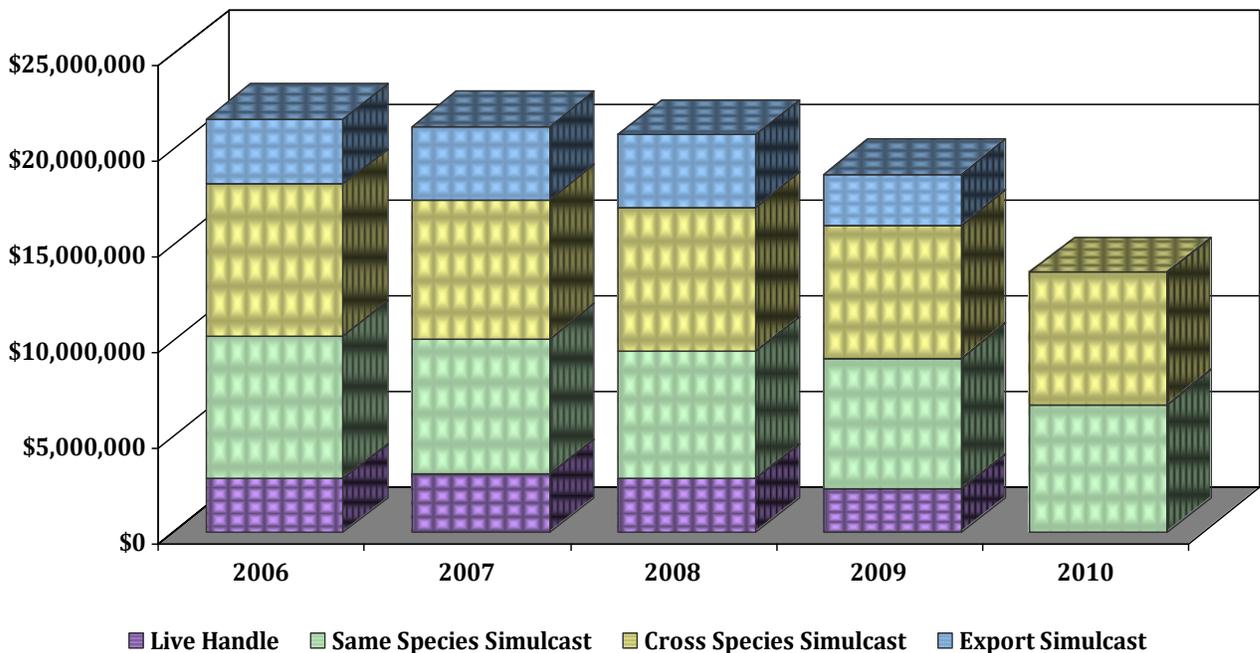


Valley Race Park did not submit any notable events or highlights for inclusion in this report.

Greyhound Racetrack Valley Race Park

	2009	2010	% Change
Live On-Track Handle	\$2,300,492	\$0	-100.00%
Import Same Species Simulcast	\$6,815,382	\$6,711,388	-1.53%
Import Cross Species Simulcast	\$6,983,177	\$6,919,370	-0.91%
Total On-Track Handle	\$16,099,051	\$13,630,758	-15.33%
Total Export Handle	\$2,670,692	\$0	-100.00%
Total Wagered on VGP	\$4,971,184	\$0	-100.00%
Average Value per Point	\$50.47	\$0.00	-100.00%
Average Purses Paid/Performance	\$4,648	\$0	-100.00%
Total Purses Paid	\$576,355	\$0	-100.00%
Total Live Performances	124	0	-100.00%
Total # of Simulcast Signals Taken	9,706	9,297	-4.21%
Total Attendance	99,783	59,018	-40.85%

2006-2010
Valley Race Park



*Valley Race Park did not request live race dates for 2010.



**Data on this page provided by Lone Star Park at Grand Prairie
For Calendar Year 1/1/2010 - 12/31/2010**

Average # of Employees/Positions on Payroll	250 off-season/800 live racing
Total Salaries and Wages Paid (includes benefits)	\$13,525,291
Total State Pari-mutuel Tax Paid	\$1,141,992
Total Other State Taxes Paid	\$1,371,546
Total Property Taxes Paid	\$2,415,218
Total Purchased Goods and Services	\$12,382,619
Total Charitable Contributions	\$71,424

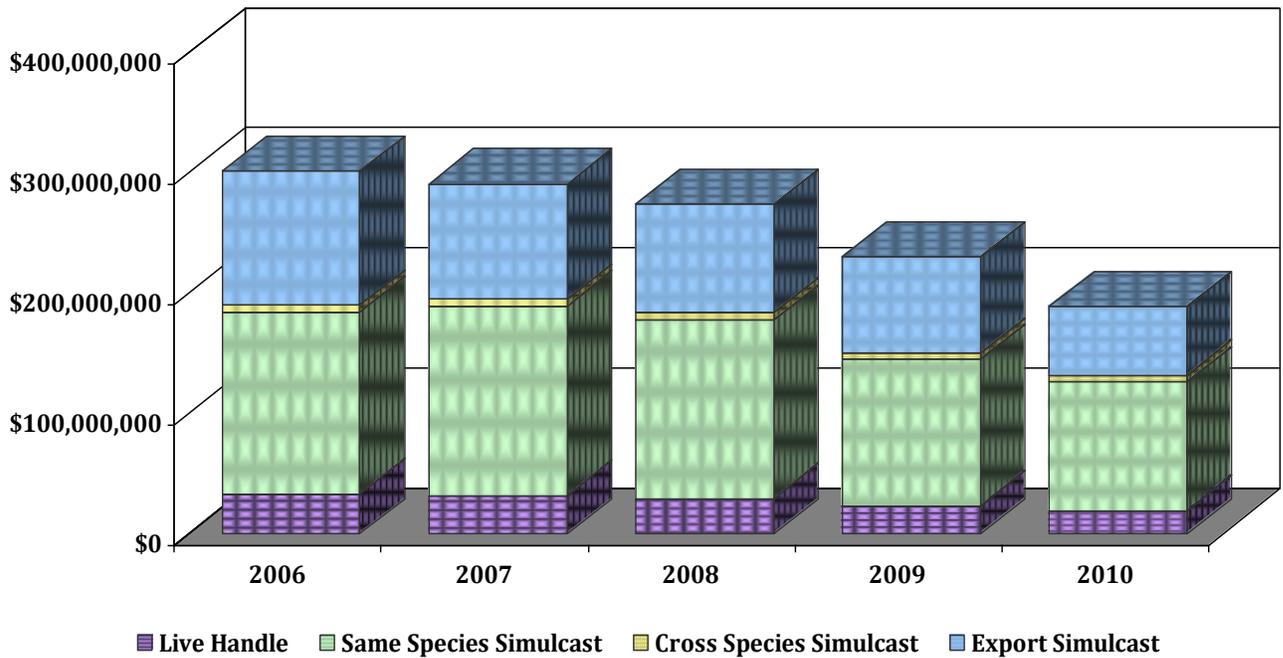
2010 Highlights

-  Lone Star Park (LSP), despite a national trend of diminishing attendance, saw an increase of 1% in attendance during its 2010 Spring Thoroughbred Meet, which ran from April 8 through July 18. However, the average on-track daily wagering saw a decrease of approximately 9%, with the average all-source wagering slipping 23.3%. The average field size was 8.3 horses per race, down from last year's 8.7 average.
-  Chris Landeros successfully defended his 2009 title of leading jockey with 101 wins.
-  Brett Calhoun captured his first-ever training title with 62 wins.
-  The owner's race was won by Tom Durant for the third straight year and setting a new season record with 37 victories.
-  REDDING COLLIERY, winner of the Grade 3, \$300,000 Lone Star Park Handicap on May 31, was named Horse of the Meet along with Champion Older Male Horse.
-  Lone Star Park's 2010 Fall Meeting of Champions for American Quarter Horses saw an increase in both average daily attendance and on-track wagering during the 26-day meet, despite a downward national trend. Average attendance rose by 5% with an equal increase in average daily wagering on live racing.
-  Trey Wood, with 31 wins, and Ricky Ramirez, with 41 wins, were honored as the top trainer and jockey, respectively, for the 2010 Fall Meeting of Champions. This was Wood's second title and Ramirez's third. Owner A. D. Maddox claimed his fifth owner's title with 13 wins. Horse of the Meet honors went to BODACIOUS DASH, who won the \$1 million Texas Classic Futurity.

Class 1 Horse Racetrack Lone Star Park at Grand Prairie

	2009	2010	% Change
Live On-Track Handle	\$23,329,717	\$19,851,794	-14.91%
Import Same Species Simulcast	\$122,461,314	\$106,925,127	-12.69%
Import Cross Species Simulcast	\$4,801,899	\$5,819,114	21.18%
Total On-Track Handle	\$150,592,930	\$132,596,035	-11.95%
Total Export Handle	\$80,156,136	\$56,742,547	-29.21%
Total Wagered on LSP	\$103,485,853	\$76,594,341	-25.99%
Average Purses Paid/Quarter Horse	\$121,081	\$132,434	9.38%
# of Quarter Horse Race Dates	28	26	-7.14%
Average Purses Paid/Thoroughbred	\$176,926	\$150,871	-14.73%
# of Thoroughbred Race Dates	65	60	-7.69%
Total Purses Paid	\$15,138,849	\$12,665,121	-16.34%
Total Live Performances	93	86	-7.53%
Total # of Simulcast Signals Taken	8,262	8,643	4.61%
Total Attendance	740,287	690,537	-6.72%

2006-2010
Lone Star Park at Grand Prairie





**Data on this page provided by Retama Park
For Calendar Year 1/1/2010 – 12/31/2010**

Average # of Employees/Positions on Payroll	163
Total Salaries and Wages Paid	\$3.9 million
Total State Pari-mutuel Tax Paid	\$439,000
Total Other State Taxes Paid	\$172,000
Total Property Taxes Paid	N/A (Tax Exempt)
Total Purchased Goods and Services	\$3.4 million
Total Charitable Contributions	\$26,000 cash and in kind donations

2010 Highlights



More than 6,000 fans were on hand to see the final night of Retama Park’s 2010 Thoroughbred Meet. Retama Park wrapped up a very successful 16-day meet that recorded a 61% increase in on-track wagering with attendance rising by 38% over the previous year. The average number of horses per race was a solid 10.5, leading the industry. Retama Park attributes the success to its decision to run on Friday and Saturday evenings.



Karl Broberg, with 16 wins, edged perennial leader Dan Pish for Leading Trainer of the 2010 Thoroughbred Meet. Roberto Villafan was a runaway winner of Leading Jockey honors with 28 wins. The Leading Owner honors saw a three-way tie with Wilma Wright, Robert Morgan Evans, and Florida Prime, LLC, finishing with four wins each.



Retama Park again had the honor of partnering with Operation Homefront of Texas for two very special projects during 2010. Operation Homefront of Texas is a local organization that provides assistance to military families with parents serving overseas. Volunteers from throughout the community gathered at the track to help prepare and assemble backpacks in August for “Operation Hope.” In December, “Operation Jolly Holly” volunteers assembled Christmas stockings. These backpacks and stockings were then distributed to children of military families with parents serving overseas. Retama Park donated the entire clubhouse level of the facility and staff to support these wonderful causes.



Long-time sponsorship partner M2 Technology continued their support of the showcase race at Retama Park, the \$100,000 M2 Technology La Seniorita. Fifty-cent Night promotions remained a staple for families and young adults seeking value oriented entertainment and were offered every weekend of the 16-day meet.

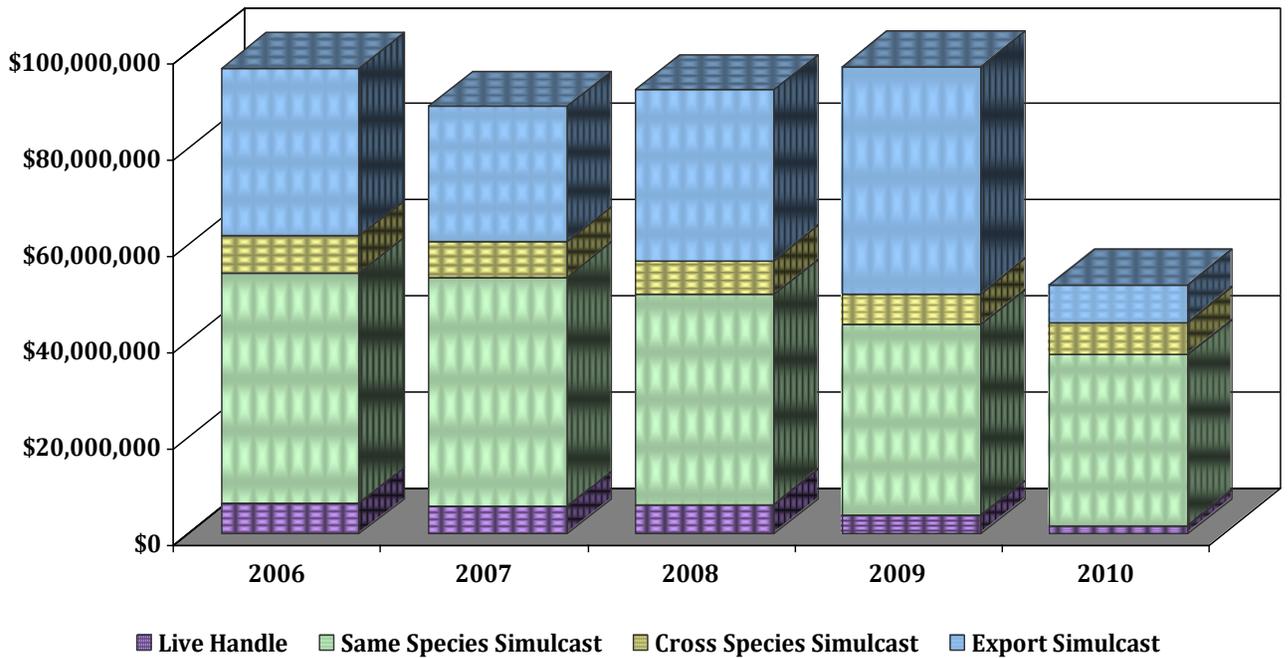


Retama Park continued to work with the Fort Sam Houston Wounded Warrior program as they hosted participants and donated food and beverages during live race nights. This organization serves veterans wounded in Iraq and Afghanistan and their family members.

Class 1 Horse Racetrack Retama Park

	2009	2010	% Change
Live On-Track Handle	\$3,865,166	\$1,838,249	-52.44%
Import Same Species Simulcast	\$39,655,742	\$35,421,792	-10.68%
Import Cross Species Simulcast	\$6,528,351	\$6,778,456	3.83%
Total On-Track Handle	\$50,049,259	\$44,038,497	-12.01%
Total Export Handle	\$47,151,832	\$7,830,096	-83.39%
Total Wagered on RETA	\$51,016,998	\$9,668,345	-81.05%
Average Purses Paid/Quarter Horse	\$0	\$0	0.00%
# of Quarter Horse Race Dates	0	0	0.00%
Average Purses Paid/Thoroughbred	\$94,072	\$103,781	10.32%
# of Thoroughbred Race Dates	59	16	-72.88%
Total Purses Paid	\$5,847,395	\$1,738,100	-70.28%
Total Live Performances	59	16	-72.88%
Total # of Simulcast Signals Taken	9,741	8,680	-10.89%
Total Attendance	255,784	187,042	-26.88%

2006-2010
Retama Park





LET'S MAKE THINGS INTERESTING.

**Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2010 - 12/31/2010**

Average # of Employees/Positions on Payroll	412
Total Salaries and Wages Paid	\$7,740,677
Total State Pari-mutuel Tax Paid	\$717,081
Total Other State Taxes Paid	\$515,802
Total Property Taxes Paid	\$835,219
Total Purchased Goods and Services	\$22,639,567
Total Charitable Contributions (Cash and Like-Kind)	\$28,533

2010 Highlights

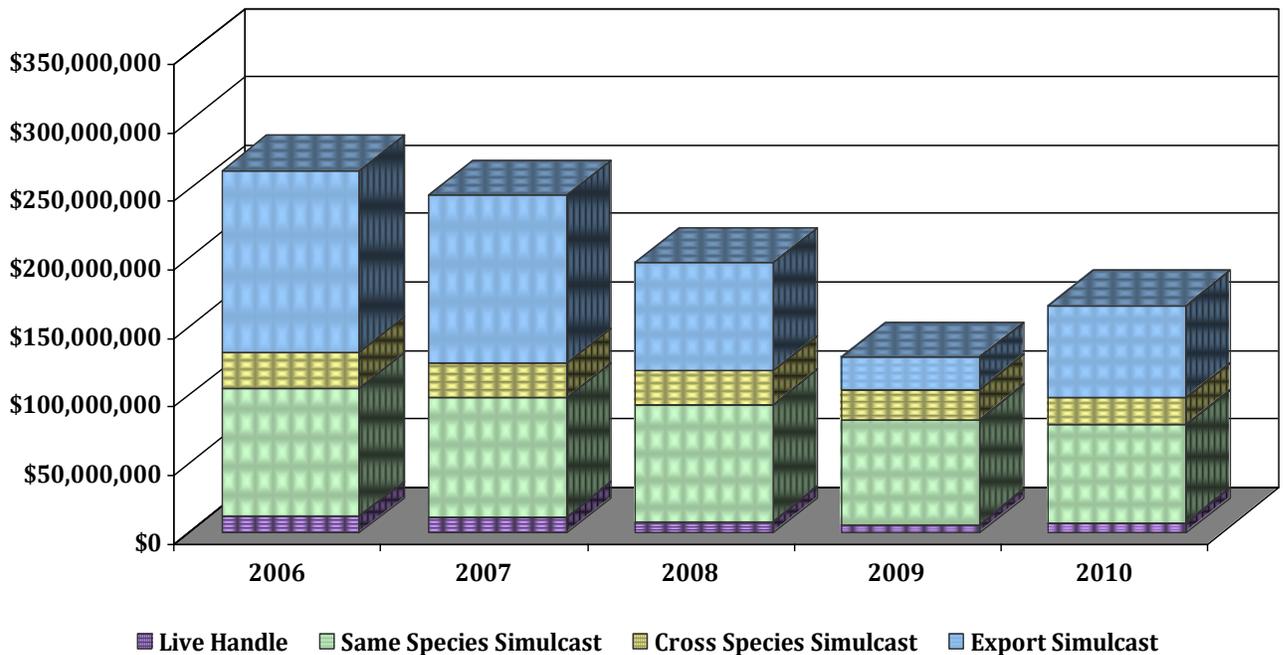


Sam Houston Race Park did not submit any notable events or highlights for inclusion in this report.

Class 1 Horse Racetrack Sam Houston Race Park

	2009	2010	% Change
Live On-Track Handle	\$6,228,363	\$7,205,400	15.69%
Import Same Species Simulcast	\$76,917,940	\$71,708,107	-6.77%
Import Cross Species Simulcast	\$21,948,876	\$20,167,787	-8.11%
Total On-Track Handle	\$105,095,179	\$99,081,295	-5.72%
Total Export Handle	\$23,309,027	\$67,008,265	187.48%
Total Wagered on SHRP	\$29,537,390	\$74,213,665	151.25%
Average Purses Paid/Quarter Horse	\$82,551	\$83,038	0.59%
# of Quarter Horse Race Dates	54	45	-16.67%
Average Purses Paid/Thoroughbred	\$110,389	\$93,524	-15.28%
# of Thoroughbred Race Dates	15	49	226.67%
Total Purses Paid	\$6,273,893	\$8,572,264	36.63%
Total Live Performances	69	94	36.23%
Total # of Simulcast Signals Taken	13,463	13,180	-2.10%
Total Attendance	752,094	521,633	-30.64%

2006-2010
Sam Houston Race Park



**Data on this page provided by Manor Downs
 For Calendar Year 1/1/2010 - 12/31/2010**

Average # of Employees/Positions on Payroll	31
Total Salaries and Wages Paid	\$711,071
Total State Pari-mutuel Tax Paid	\$90,928
Total Other State Taxes Paid	\$89,147
Total Property Taxes Paid	\$89,965
Total Purchased Goods and Services	\$919,155
Total Charitable Contributions	\$8,331

2010 Highlights



In response to economic conditions, Manor Downs reduced its live race meet by one week in 2010, but still carded one Grade I stakes race, one Grade II stakes race, and four Grade III stakes races.



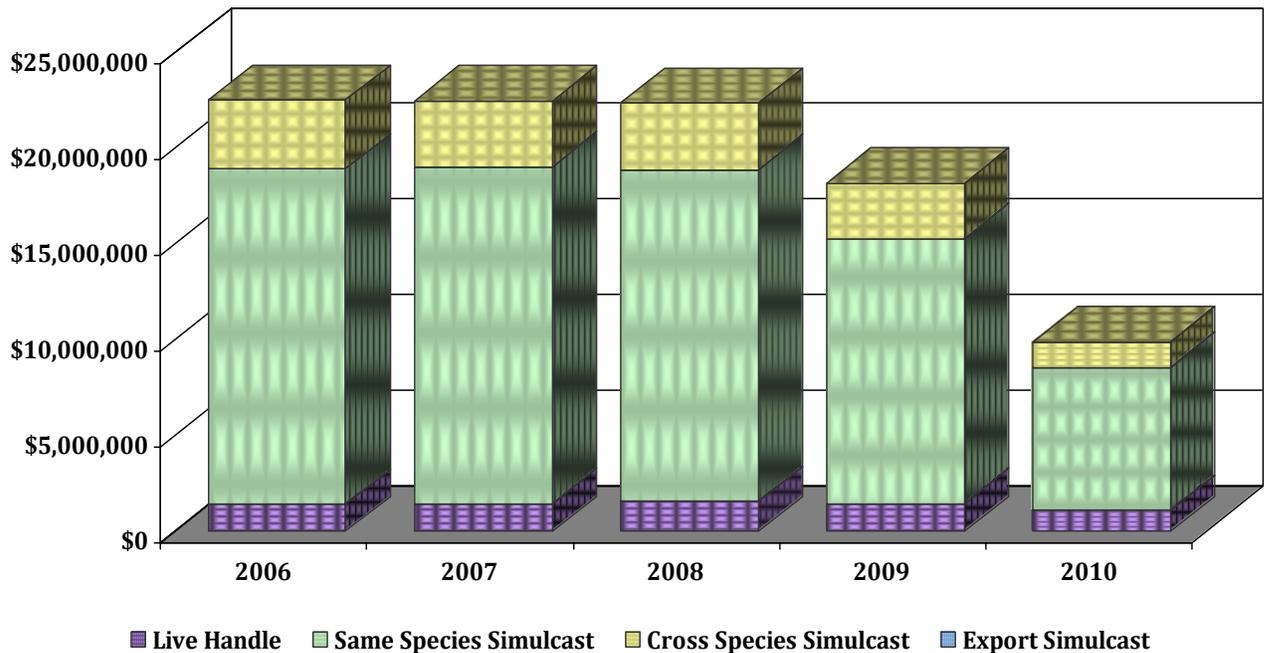
In July 2010, Manor Downs closed temporarily to recapitalize with a planned return to live racing in 2012.

Class 2 Horse Racetrack Manor Downs

	2009	2010*	% Change
Live On-Track Handle	\$1,483,106	\$1,100,710	-25.78%
Import Same Species Simulcast	\$13,851,569	\$7,484,646	-45.97%
Import Cross Species Simulcast	\$2,896,507	\$1,319,535	-54.44%
Total On-Track Handle	\$18,231,182	\$9,904,891	-45.67%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on MAN	\$1,483,106	\$1,100,710	-25.78%
Average Purses Paid/Quarter Horse	\$104,280	\$105,803	1.46%
Average Purses Paid/Thoroughbred	\$31,860	\$31,583	-0.87%
Average Purses Paid/Minor Breed	\$11,433	\$6,756	-40.91%
# of Mixed Race Dates	18	14	-22.22%
Total Purses Paid	\$2,400,673	\$1,887,263	-21.39%
Total Live Performances	18	14	-22.22%
Total # of Simulcast Signals Taken	4,852	2,563	-47.18%
Total Attendance	52,926	31,348	-40.77%

*Manor Downs ceased pari-mutuel operations on July 25, 2010.

**2006-2010
Manor Downs**





RACE BARN

THE HILL COUNTRY'S PLACE TO PLAY

**Data on this page provided by Gillespie County Fair & Festival Association
For Calendar Year 1/1/2010- 12/31/2010**

Average # of Employees/Positions on Payroll	121
Total Salaries and Wages Paid	\$393,054
Total State Pari-mutuel Tax Paid	\$41,107
Total Other State Taxes Paid	\$11,363
Total Property Taxes Paid*	\$8,561
Total Purchased Goods and Services	\$865,706
Total Charitable Contributions (including in-kind**)	\$101,989

*Property taxes represent those attributable to the Race Barn property only; the Fairgrounds are exempt from property taxes.

**Estimated in-kind to community including facility use and volunteer labor.

2010 Highlights



The Gillespie County Fair live race meet reached its second largest handle in the past 12 years.



The Gillespie County Fair & Festival Association awarded \$16,200 in scholarships to 27 graduating seniors from Gillespie County. Since 1991, over \$256,000 in scholarships have been awarded to 482 students.



The Fair Association's donated facility use and volunteer labor is estimated at over \$104,000 for 2010. The Fair Association consists of over 45 volunteer directors who, along with their families, provide a variety of events and activities throughout the year for the community. Events and activities include the Gillespie County Fair Parade and the Gillespie County Fair, which culminates their four weekends of live racing. Additional events include the Annual Scholarship Fest and Professional Bull Riding.

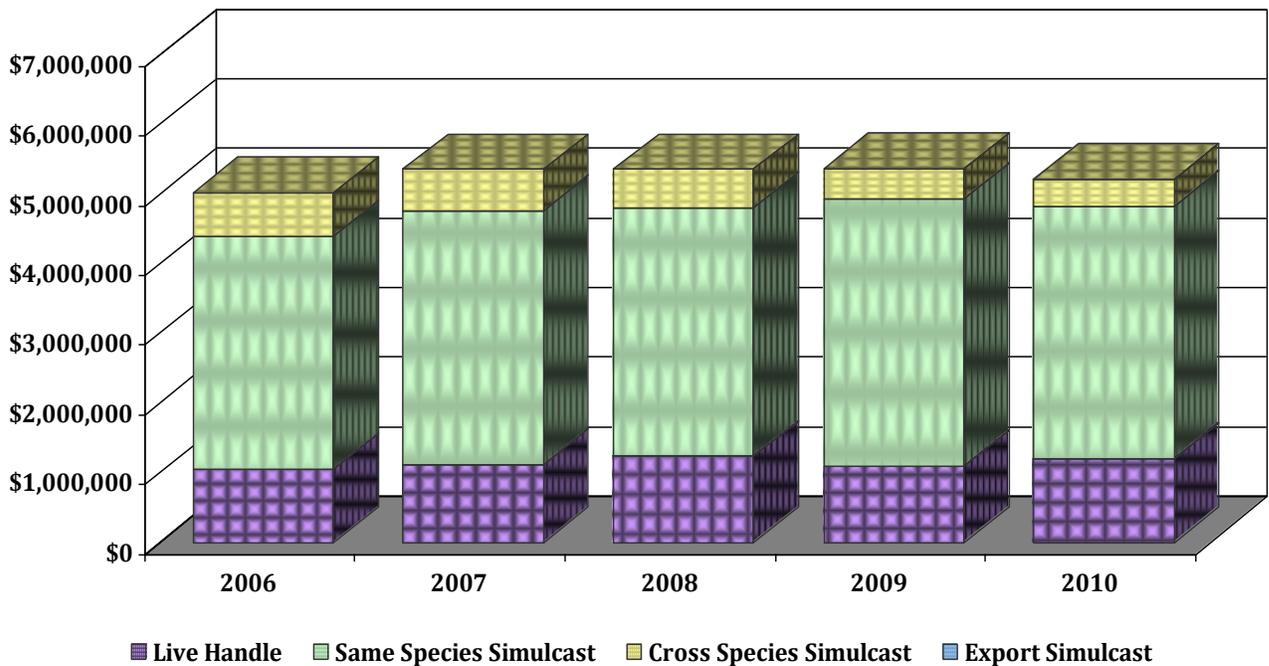


The Gillespie County Fair & Festival Association hosted the 1st Annual PBR, recognizing active and retired military, firefighters, and law enforcement personnel.

Class 3 Horse Racetrack Gillespie County Fair & Festival Association

	2009	2010	% Change
Live On-Track Handle	\$1,106,409	\$1,212,932	9.63%
Import Same Species Simulcast	\$3,841,110	\$3,622,192	-5.70%
Import Cross Species Simulcast	\$419,119	\$392,764	-6.29%
Total On-Track Handle	\$5,366,638	\$5,227,888	-2.59%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on GCF	\$1,106,409	\$1,212,932	9.63%
Average Purses Paid/Quarter Horse	\$54,506	\$66,475	21.96%
Average Purses Paid/Thoroughbred	\$18,488	\$17,275	-6.56%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$583,950	\$675,440	15.67%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	3,766	3,409	-9.48%
Total Attendance	14,152	14,635	3.41%

2006-2010
Gillespie County Fair & Festival Association



OTHER LICENSED CLASS 2 RACETRACKS

Commission staff is working with inactive licensees to review the business plans for opening the tracks for simulcast wagering and live racing. As they did throughout 2010, inactive licensees will provide progress reports at each 2011 Commission meeting.

AUSTIN JOCKEY CLUB

In 1999, Austin Jockey Club, Ltd. (AJC), acquired majority ownership of Longhorn Downs, Inc., which held a horse racetrack license originally issued in 1989.

From 1999 until 2005, AJC presented two potential Austin-area racetrack locations. The first location was approved by the Commission but became infeasible due to municipal zoning issues. The second proposed location was not approved by the Commission due to traffic problems and a lack of local support from community residents. In December 2005, AJC notified the Commission that it had entered into a contract to sell its ownership interests in Longhorn Downs. Later in 2006, the proposed new owners of AJC, Dallas City Limits, presented a general overview of plans to locate the racetrack in the Dallas area, noting that the details of the transaction and location would be submitted in the near future. Dallas City Limits submitted its formal proposal in 2007. After delays caused by litigation between its two general partners, Dallas City Limits submitted a revised application in 2008.

After the Department of Public Safety and TxRC staff review, the Commission denied AJC's request for a change of ownership to Dallas City Limits at its September 2009 meeting. Chair Pablos directed the current owners of AJC to fulfill its commitment to the Commission with respect to its license and either bring a new proposal for a change in ownership and new location or bring forward a location and business plan for constructing a facility. In the absence of such action, the license may have been subject to revocation hearings.

At the October 2009 Commission meeting, AJC requested and was granted 12 race dates in July and August of 2011.

At the December 2009 Commission meeting, an AJC representative reported entering into an agreement with a new group and that documentation would be submitted in January 2010 to request a change in ownership and location. The Commission received a formal application on August 3, 2010. The new proposal moves the track location to Creedmoor, just outside of Austin.

While the Department of Public Safety investigation is ongoing, Commission staff has determined the application to be administratively complete. Staff is preparing a final report for Commission consideration.

LAREDO DOWNS

On March 20, 2007, the Commission granted a Class 2 horse racetrack license to Laredo Downs. At its May 2007 meeting, the Commission ordered security be posted to ensure compliance with the Act and the rules. Laredo Downs posted security and agreed to a schedule that called for simulcasting to begin on or before January 1, 2009, and the facility to be ready for live racing on or before July 1, 2009.

Laredo Downs did not meet the requirements to begin simulcasting or live racing by its agreed to dates in 2009. The track forfeited its security bond in accordance with the order.

At the October 2009 Commission meeting, Laredo Downs requested and was granted 10 race dates in August of 2011.

At the December 2009 Commission meeting, a Laredo Downs' representative stated that a request for a change in location could be submitted to the Commission within 60 to 90 days. On October 27, 2010, the Commission received a request to move the track's location to Fort Worth.

LAREDO RACE PARK

On March 20, 2007, the Commission approved an interim order allowing the racetrack applicant, Laredo Race Park, to return for final approval of its proposed Class 2 horse racetrack upon the sale of Valley Race Park or a legislative change increasing the number of racetrack licenses legally held. The 80th Legislature increased the number of licenses that can be held to three, allowing Laredo Race Park to return for final consideration by the Commission. At its August 2007 meeting, the Commission finalized the order and required security be posted to ensure compliance with the Act and Commission rules. Laredo Race Park posted security and agreed to a schedule that called for simulcasting to begin on or before July 15, 2009, and the facility to be ready for live racing on or before December 1, 2009.

Laredo Race Park did not meet the requirements to begin simulcasting or live racing by its agreed to dates in 2009. In addition to the 2009 dates, Laredo Race Park has two granted live race dates in 2010. Although the Commission was set to consider Laredo Race Park's request for an amendment to the security bond at its December meeting that would waive the forfeiture of the security bond, officials asked for additional time to focus on its plan to negotiate an agreement with Webb County officials to move the racetrack site to a county-owned golf course. According to a Laredo Race Park representative, subsequent to having acquired access to the new property, Laredo Race Park would submit a request for change in location and request a change in the terms of the security order.

At the September 2009 Commission meeting, Laredo Race Park requested and was granted 8 race dates in August of 2011.

Ultimately, Laredo Race Park voluntarily forfeited its security bond. Subsequently, the proposed agreement with Webb County to put the track at the county-owned golf course failed. On December 20, 2010, Penn National Gaming submitted an ownership change request to purchase 50 percent ownership of Sam Houston Race Park, Valley Race Park and Laredo Race Park.

SADDLE BROOK PARK

In 2001, Yellow Rose Entertainment, d/b/a Saddle Brook Park, acquired Lubbock Downs, Inc., a company to which a Class 2 horse racetrack license was issued in 1989. The Commission granted Saddle Brook Park's request to move the track from Lubbock to Randall County. The new owners indicated their intent to construct the facility and open for live racing and simulcasting in 2002. Construction plans were submitted and approved by the Commission staff in May of 2002. Saddle Brook Park reported that steel had been ordered when a problem arose with the Environmental Protection Agency (EPA) over sewage disposal. At the May 2007 Commission meeting, Saddle Brook Park's representative reported some progress was being made on the sewage disposal issue but was unable to give any firm dates for resuming construction or opening the racetrack.

At the September 2009 meeting, Saddle Brook Park requested and was granted 12 race dates in July - August of 2011. At the October 2009 meeting, Saddle Brook Park's representative reported that the prior EPA problem was no longer an issue with the growth of Amarillo infrastructure.

At a November 16, 2010, Commission meeting, the license holder reported that he has a binding contract to sell the license to Global Gaming. At the end of calendar year 2010, the Commission had not yet received a formal change of ownership request.

VALLE DE LOS TESOROS RACE PARK

On March 20, 2007, the Commission granted a Class 2 horse racetrack license to Valle de los Tesoros Race Park for a Class 2 racetrack in McAllen, Texas. At its May 2007 meeting, the Commission ordered security be posted to ensure compliance with the Act and Commission rules. Valle de los Tesoros Race Park posted security and agreed to a schedule that called for simulcasting to begin on or before January 1, 2009, and the facility to be ready for live racing on or before July 1, 2009.

Valle de los Tesoros did not meet the requirements to begin simulcasting or live racing by its agreed to dates in 2009 and the track's security bond was forfeited in accordance with the order.

At the October 2009 Commission meeting a representative of Valle de los Tesoros noted some progress on obtaining sewer and water for the site.

At the December 2009 Commission meeting, a representative provided a letter from the City of McAllen that reported a verbal agreement had been made with the City of Hidalgo to provide water and sewer services to the racetrack site through an Interlocal Agreement.

At a November 16, 2010, Commission meeting, the license holder expressed an interest in opening a temporary location to begin simulcasting, thus generating purse revenue. The Commission has not received a formal request.

APPENDIX

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Combined Statement of Revenues & Expenditures

For Fiscal Year 2010 As Compared to Fiscal Year 2009

Source: Annual Financial Reports	Fiscal Year 2009	Fiscal Year 2010	Change +/- %
REVENUES:			
Legislative Appropriations	\$424,874.70	\$1,920,752.60	352.08%
Licenses, Fees & Permits	\$3,940,833.07	\$3,867,055.98	-1.87%
Interest & Other Investment Income	\$21,923.86	\$47,334.39	115.90%
Other Revenues	<u>\$5,681,123.75</u>	<u>\$5,628,899.43</u>	-0.92%
TOTAL REVENUES	<u>\$10,068,755.38</u>	<u>\$11,464,042.40</u>	13.86%
EXPENDITURES:			
Salaries & Wages	\$3,510,457.62	\$3,143,676.42	-10.45%
Payroll Related Costs	\$882,657.50	\$882,980.40	0.04%
Professional Fees & Services	\$227,020.93	\$88,597.17	-60.97%
Travel	\$168,220.64	\$146,962.32	-12.64%
Materials & Supplies	\$109,325.95	\$85,771.12	-21.55%
Communications & Utilities	\$132,211.46	\$109,832.28	-16.93%
Repairs & Maintenance	\$44,906.40	\$36,904.20	-17.82%
Rentals & Leases	\$119,054.71	\$117,467.53	-1.33%
Printing & Reproduction	\$2,655.80	\$4,170.47	57.03%
Claims & Judgments	\$0.00	\$0.00	0%
Distributions to Others	\$4,484,407.35	\$4,075,234.07	-9.12%
Depreciation Expense	\$6,844.74	\$0.00	-100.00%
Capital Outlay	<u>\$0.00</u>	<u>\$0.00</u>	0%
TOTAL EXPENDITURES	<u>\$9,687,763.10</u>	<u>\$8,691,595.98</u>	-10.28%
EXCESS REVENUES OVER EXPENDITURES	<u>\$380,992.28</u>	<u>\$2,772,446.42</u>	627.69%
OTHER FINANCING SOURCES (USES):			
Operating Transfer In:			
Loss on Sale of Capital Assets	\$0.00	\$0.00	0%
Operating Transfers Out:			
Agency 902, Fund 001, Sweep	(\$377,359.23)	\$1,753.96	-100.46%
Agency 556, Fund 001, Equine Research	<u>(\$89,939.15)</u>	<u>(\$81,416.87)</u>	-9.48%
TOTAL OTHER FINANCING SOURCES/(USES)	<u>(\$467,298.38)</u>	<u>(\$79,662.91)</u>	-82.95%
NET GAIN/LOSS FROM OPERATIONS	<u>(\$86,306.10)</u>	<u>\$2,692,783.51</u>	-3220.04%
BEGINNING FUND BALANCE	\$647,009.80	\$560,703.70	-13.34%
Adjusting entry to fund balance:			
Funds in Suspense	\$0.00	\$0.00	0%
After AFR deadline	\$0.00	\$0.00	0%
BEGINNING FUND BALANCE - RESTATED	<u>\$647,009.80</u>	<u>\$560,703.70</u>	-13.34%
Capital Assets & Long Term Liability Adjustments	<u>\$0.00</u>	<u>\$0.00</u>	0%
ENDING FUND BALANCE	<u>\$560,703.70</u>	<u>\$3,253,487.21</u>	480.25%

Summary of Key Measures Fiscal Year 2010

Actual Performance Measures As Compared to Target

Fiscal Year 2010 KEY MEASURES	Target	Actual	% of Target
# of Horse Racetracks Regulated	10	10	100%
# of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Racetrack	\$26,067	\$21,755	83%
Number of Racetrack Inspections	100	101	101%
Number of Texas-bred Awards	16,562	13,454	81%
Number of Occupational Licenses Suspended or Revoked	240	183	76%
Number of Investigations Completed	210	240	114%
Percentage of Investigations Resulting in Disciplinary Action	95.00%	97.63%	103%
Percentage of Licensees with No Recent Violations	95.00%	96.87%	102%
Number of Race Animals Inspected Prior to Participating in a Race	77,860	52,847	68%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.35%	0.38%	109%
Number of New Occupational Licenses Issued	4,775	3,140	66%
Number of Occupational Licenses Renewed	7,500	6,207	83%
Average Regulatory Cost per Licensee	\$45.88	\$42.65	93%
Average Time (minutes) Required to Issue a New Occupational License	10	9.4	94%
Percentage of Compliance Audits Passed	95.00%	99.75%	105%
Total Pari-Mutuel Handle (in millions)	\$450.20	\$365.82	81%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$4,080,382	\$3,314,808	81%

GLOSSARY OF RACING TERMS

Accredited Texas-bred (ATB) horse – a Texas-bred horse that meets the accreditation requirements of the state breed registry of that breed of horse.

Breakage - the odd cents by which the amount payable on each dollar wagered exceeds a multiple of 10 cents, except in the event of a minus pool, in which case the breakage is based on a multiple of 5 cents.

Common pool - a pool in which the wagers received at a receiving location are combined with the wagers received at a sending racetrack.

Cross-species simulcast signal - a simulcast signal of a horse race at a greyhound racetrack facility or a simulcast signal of a greyhound race at a horse racetrack facility.

E-wagering – stands for Ticketless Electronic Wagering. These devices may only be used within the enclosure of a licensed Texas racetrack and only under a system approved by the Commission.

Exotic pool - a mutuel pool that involves wagers on more than one entered horse or greyhound or on entries in more than one race.

Handle - the total amount of money wagered at a racetrack during a particular period.

Horsemen's organization - an organization recognized by the Commission that represents horse owners and trainers in negotiating and contracting with racetracks on subjects relating to racing and in representing and advocating the interests of horse owners and trainers before administrative, legislative, and judicial forums.

Live pari-mutuel pool - the total amount of money wagered by patrons on the result of a particular live race or combination of live races within the enclosure of the racetrack where the race is being run.

Mixed meet - a live horse race meeting in which more than one breed of horse participates.

Multiple wagering – wagering on two or more animals in one race or on one or more animals in more than one race.

Multiple two wager - a wager on two animals in one or more races.

Multiple three wager - a wager on three or more animals in one or more races.

Odds - a number indicating the amount of profit per dollar wagered to be paid to holders of winning pari-mutuel tickets.

Outstanding ticket (Outs) - a pari-mutuel ticket that is not presented for payment before the end of the race day for which the ticket was purchased.

Performance - the schedule of horse or greyhound races run consecutively as one program.

Place - to finish second in a race.

Prohibited substance - a drug, chemical, or other substance that in its use or intended use is reasonably capable of influencing or affecting the outcome of a race in a manner contrary to the Racing Act or a Commission rule and that is prohibited by a Commission rule regulating the unlawful influence of a race.

Purse - the cash portion of the prize for a race.

Race date - a date on which a racetrack is authorized by the Commission to conduct races.

Race meeting - a group of days on which horse or greyhound racing is conducted at a racetrack.

Regular wager - a wager on a single horse or greyhound in a single race.

Show - to finish third in a race.

Simulcast - the telecast or other transmission of live audio and visual signals of a race, transmitted from a sending track to a receiving location, for the purpose of wagering on the race at the receiving location.

Simulcast pari-mutuel pool - the total amount of money wagered by patrons at a racetrack on the result of a particular simulcast race or combination of simulcast races.

Stallion owner - a person who is owner of record, at the time of conception, of the stallion that sired the accredited Texas-bred horse.

Straight pool - a mutuel pool that involves wagers on a horse or greyhound to win, place, or show.

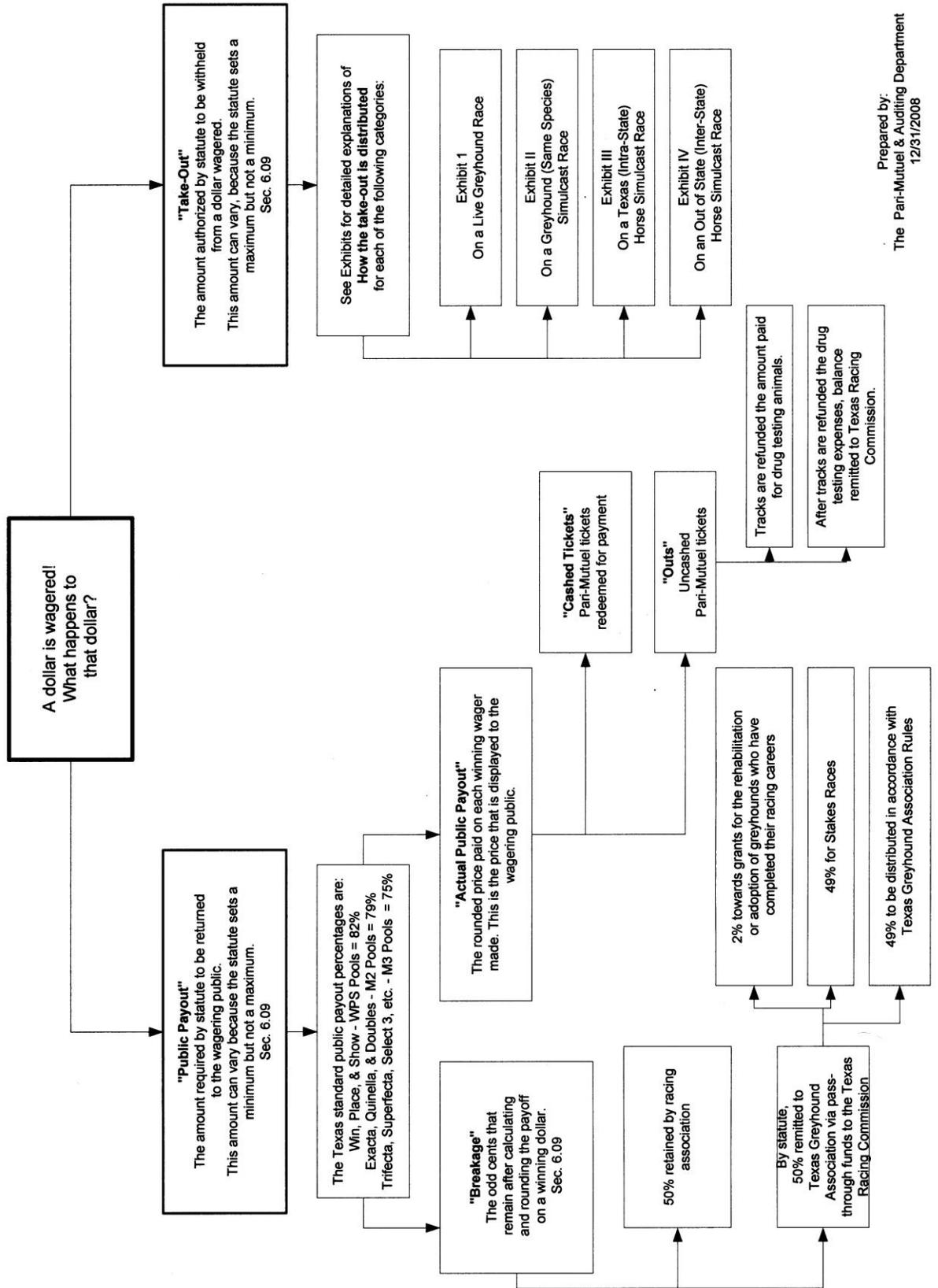
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

WPS - an acronym for the first three places of a race: Win (1st), Place (2nd), and Show (3rd).

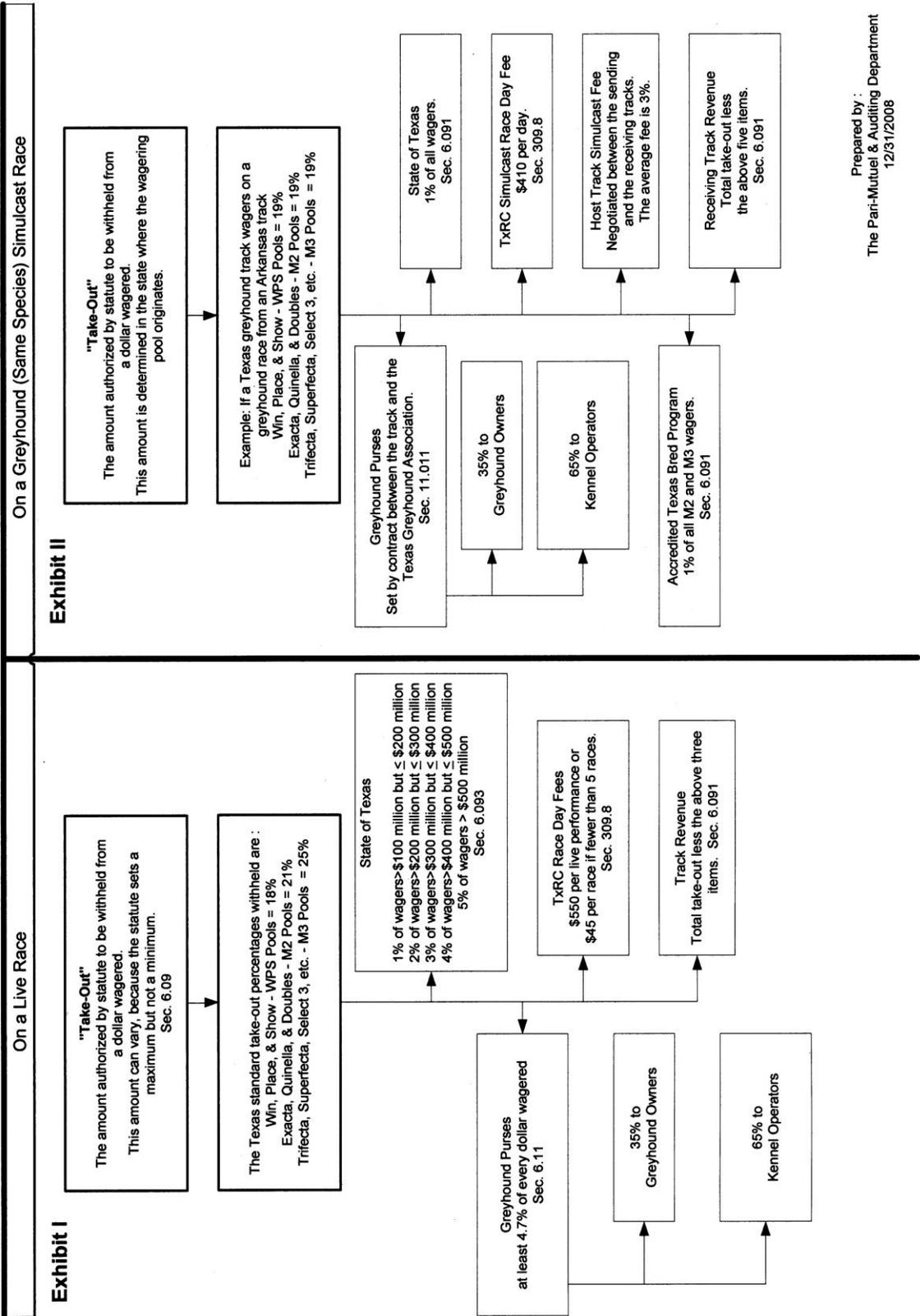
For additional definitions, see §1.03 of the Texas Racing Act and §301.1 of the Commission's Rules.

How Money Wagered at a Greyhound Track is Distributed

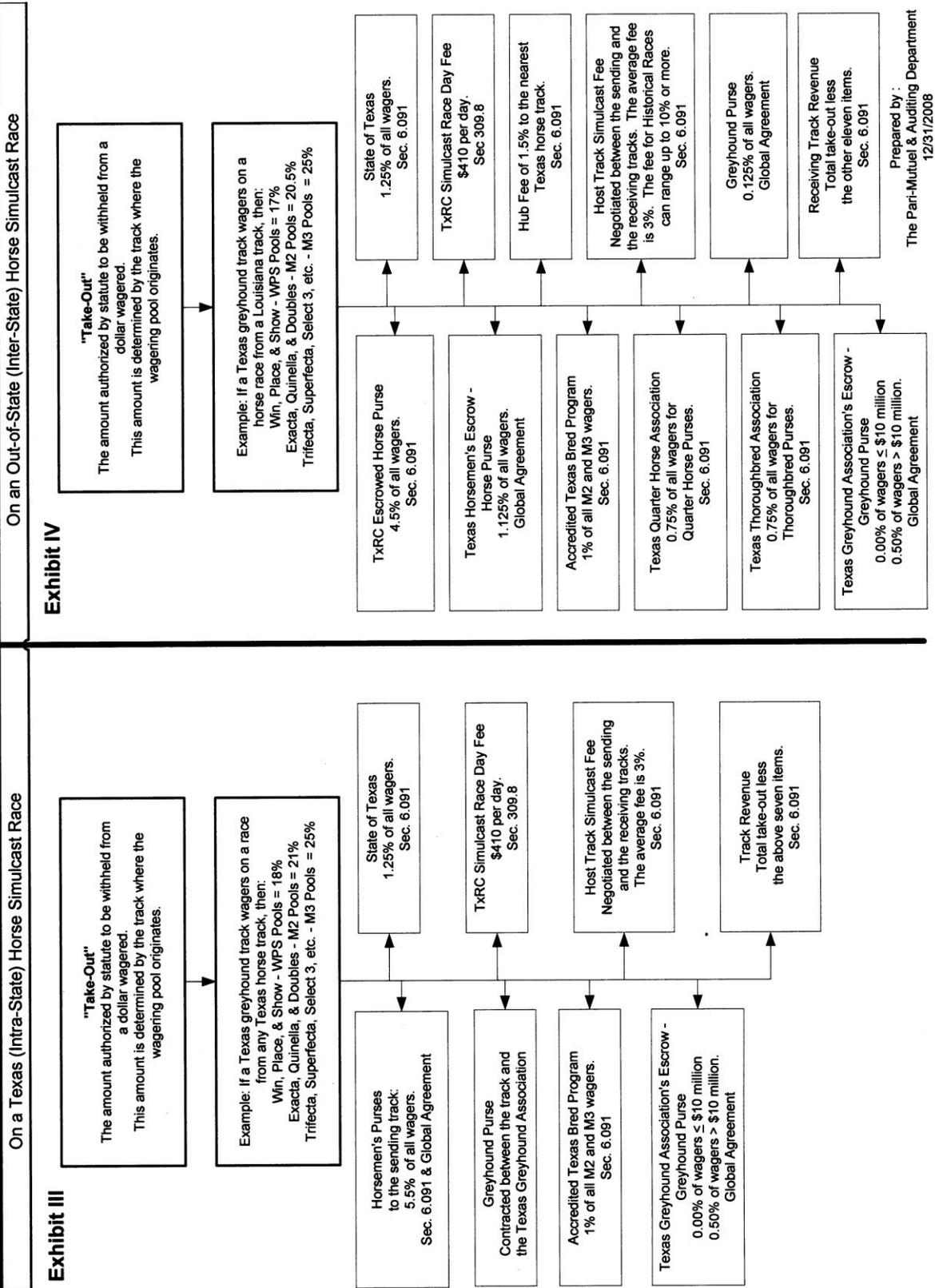


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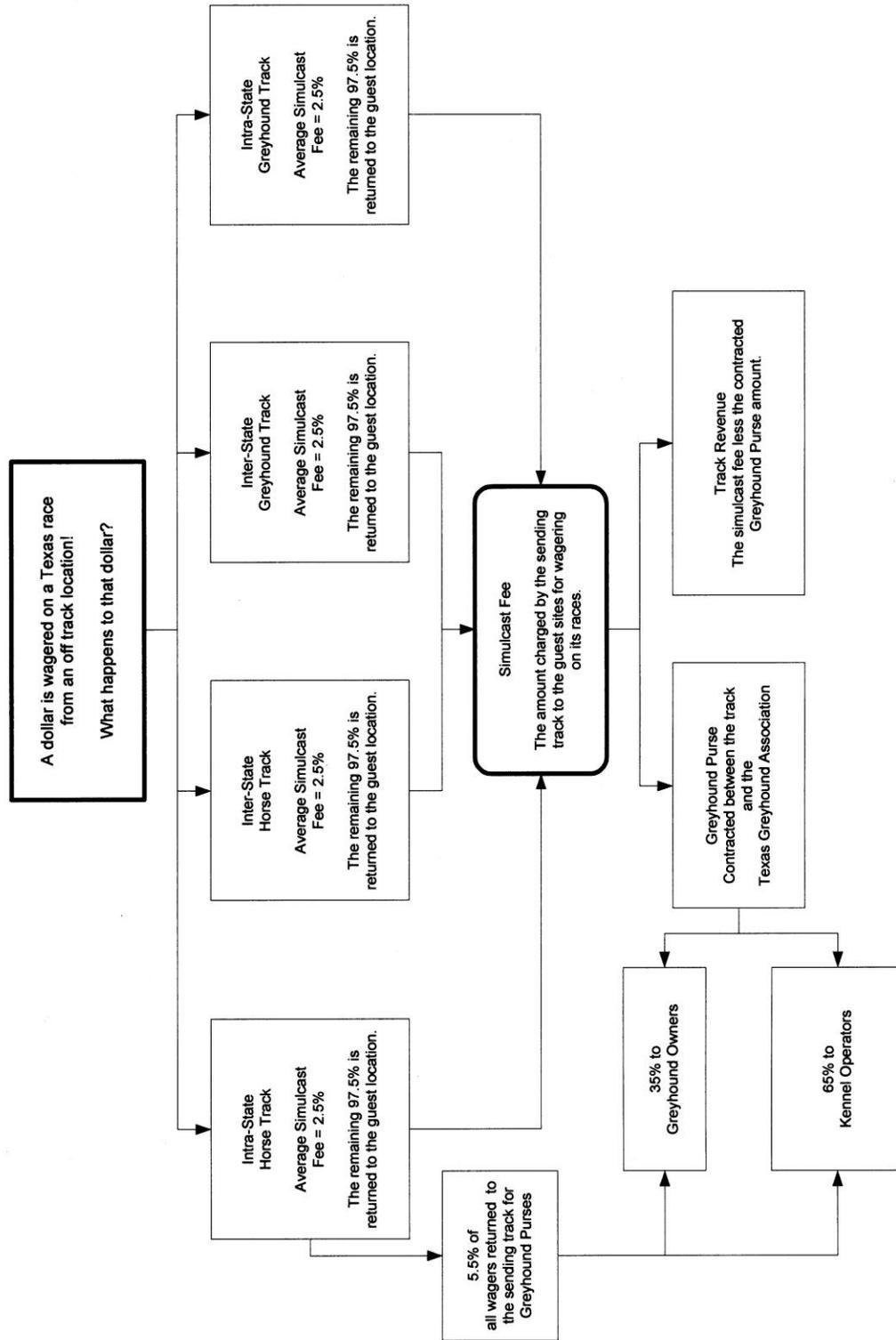
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



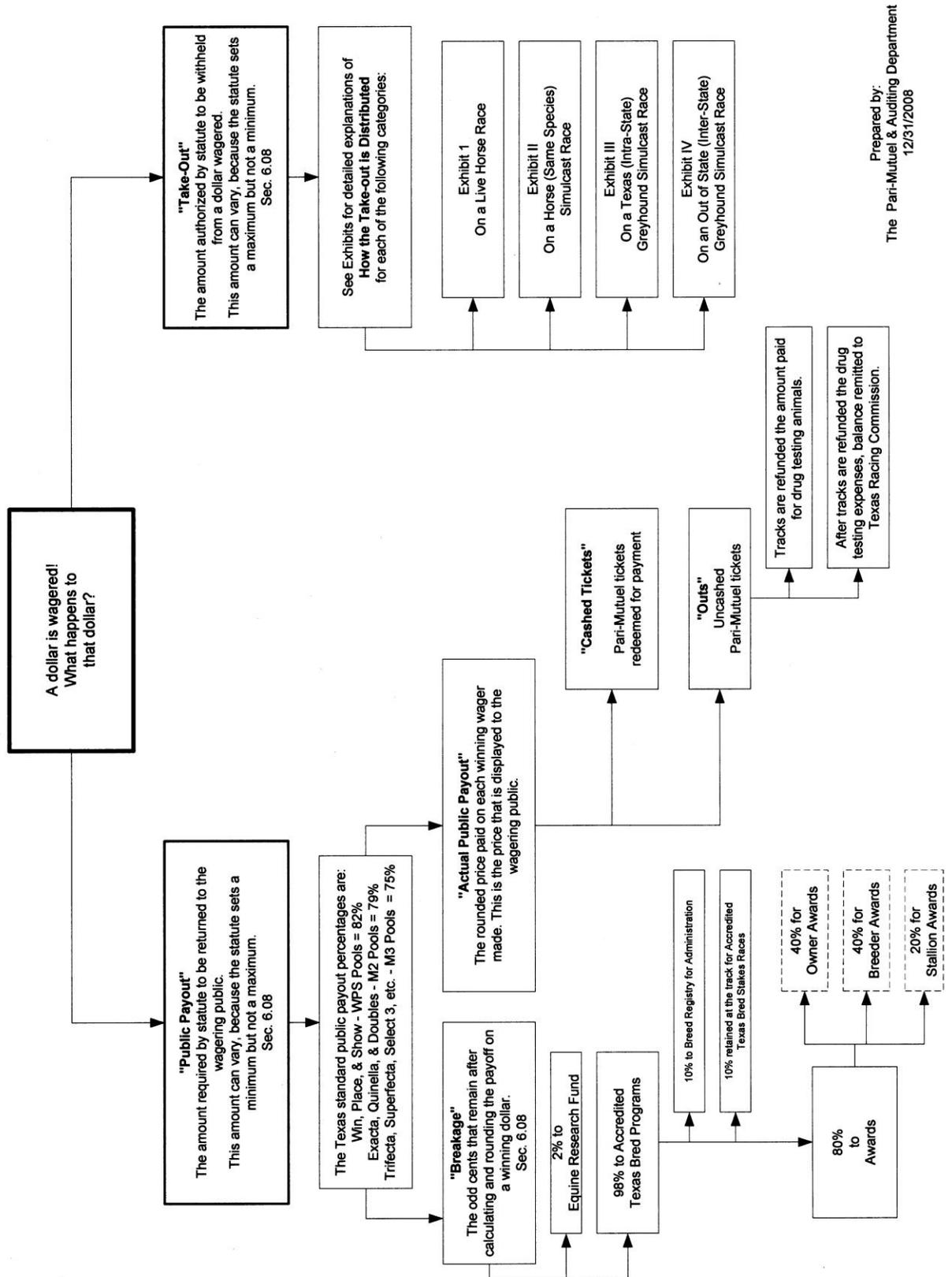
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



How Money Wagered on a Greyhound Track's Exported Race is Distributed

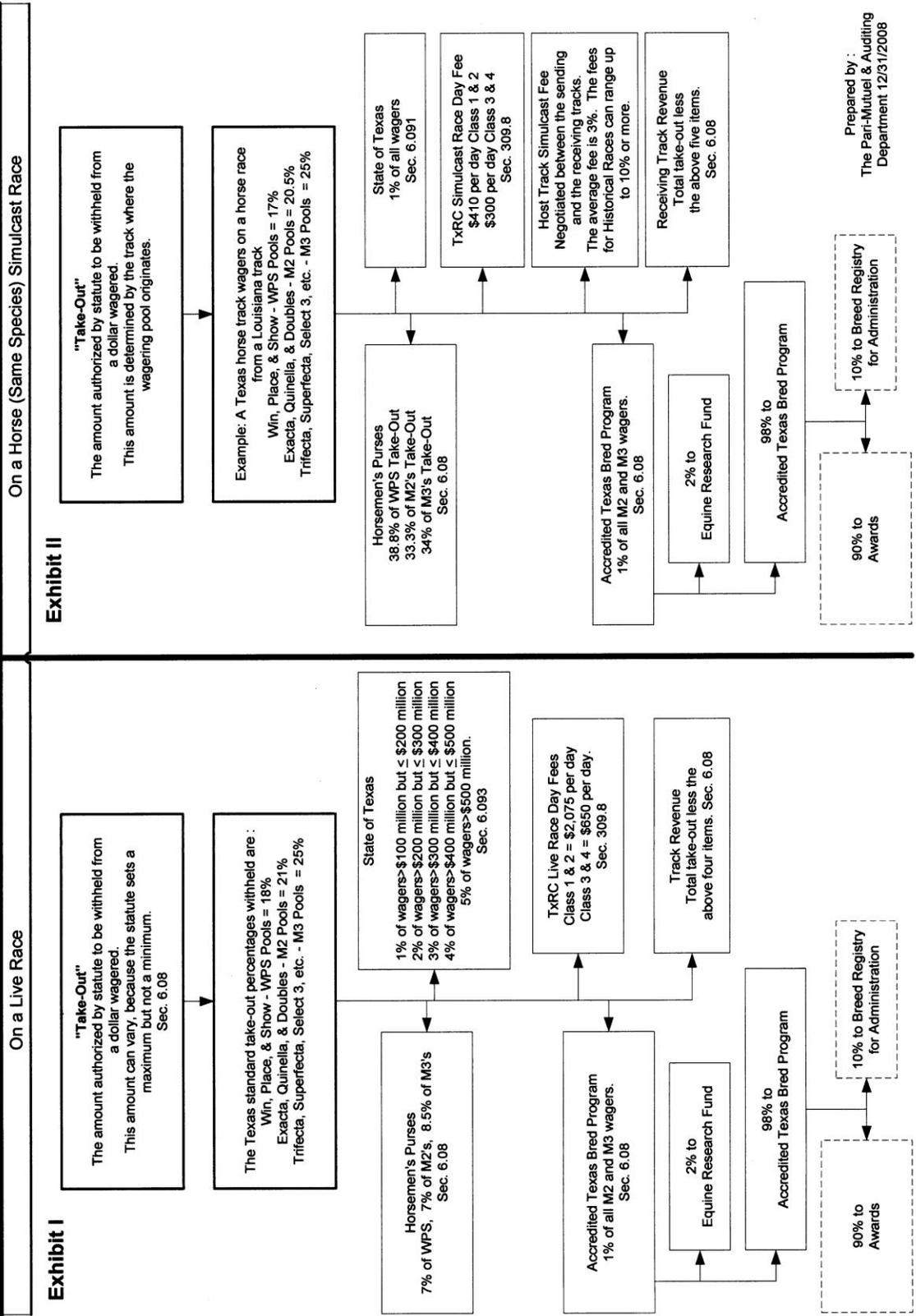


How Money Wagered at a Horse Track is Distributed



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12/31/2008

How the Take-Out from a Dollar Wagered at a Horse Track is Distributed



Prepared by :
The Par-Mutuel & Auditing
Department 12/31/2008

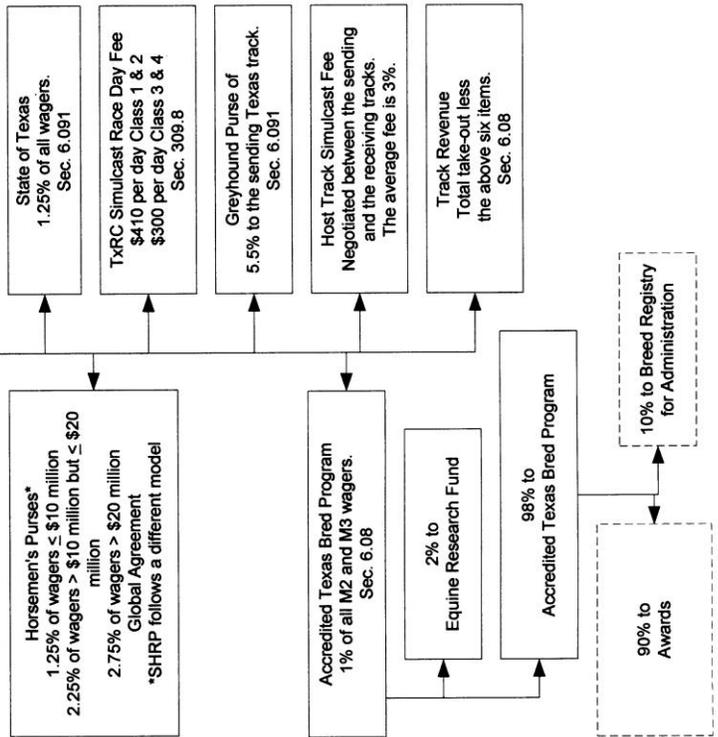
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed

On a Texas (Intra-State) Greyhound Simulcast Race

Exhibit III

"Take-Out"
The amount authorized by statute to be withheld from a dollar wagered. This amount is determined by the track where the wagering pool originates.

Example: If a Texas horse track wagers on a race from any Texas greyhound track, then:
Win, Place, & Show - WPS Pools = 18%
Exacta, Quinella, & Doubles - M2 Pools = 21%
Trifecta, Superfecta, Select 3, etc. - M3 Pools = 25%

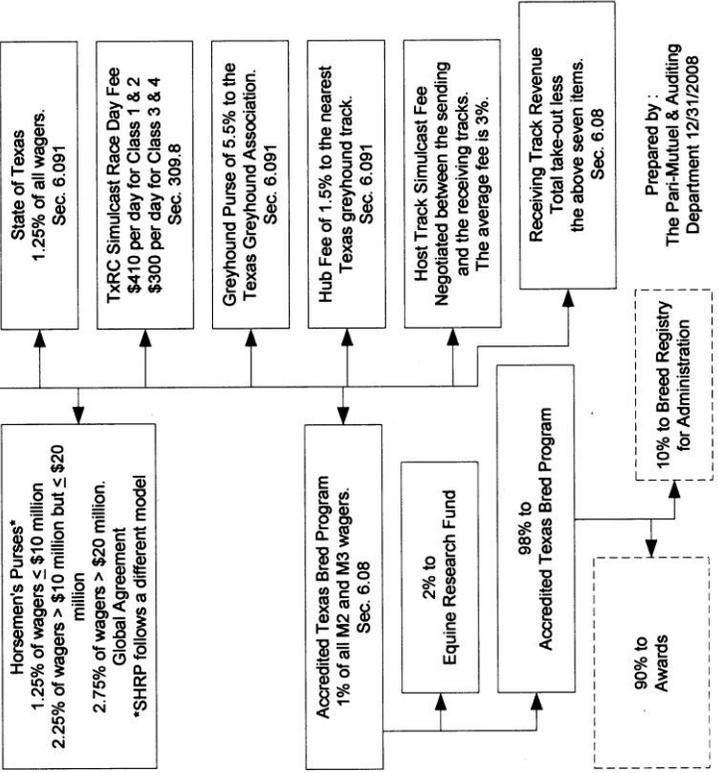


On an Out-of-State (Inter-State) Greyhound Simulcast Race

Exhibit IV

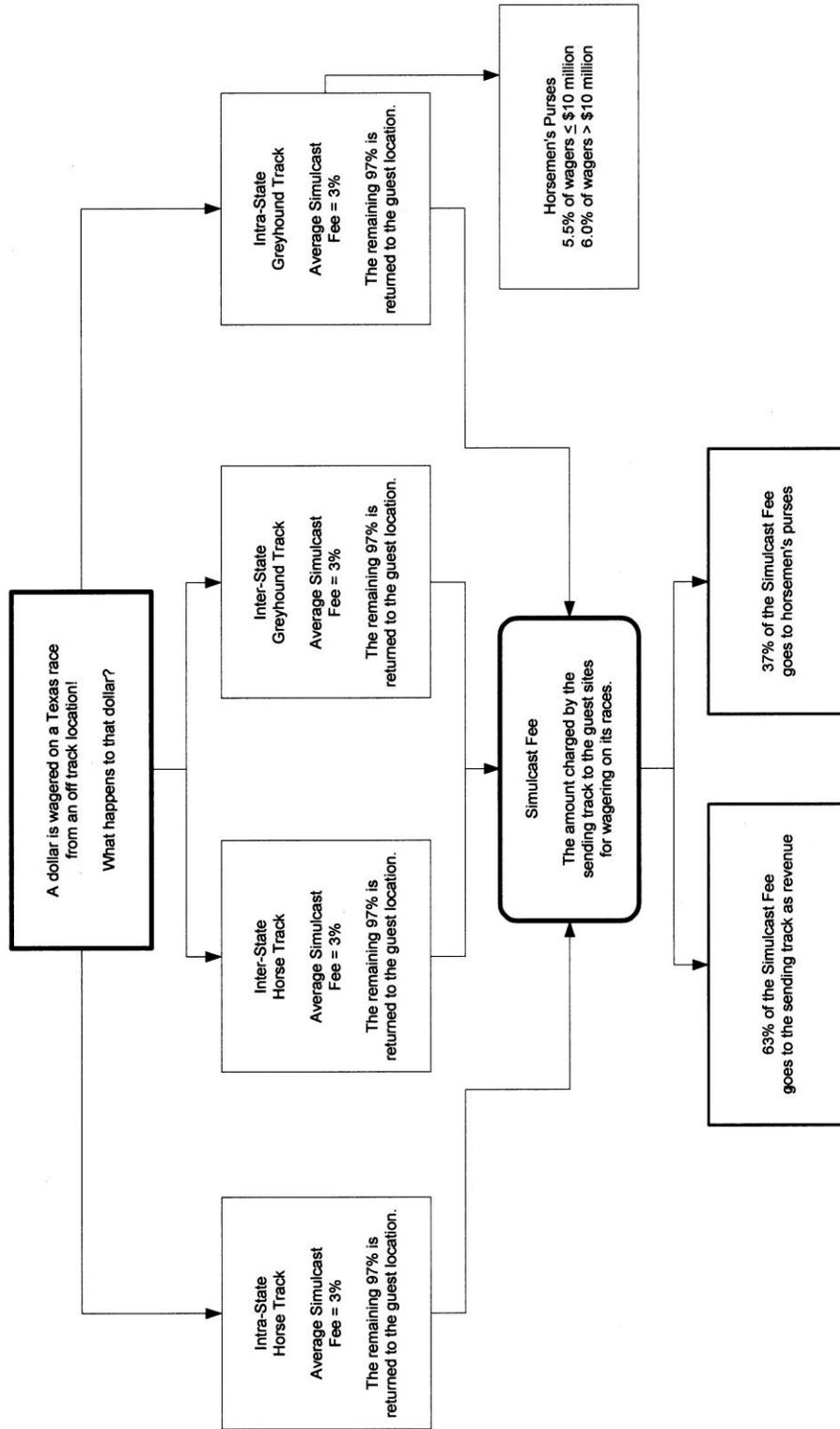
"Take-Out"
The amount authorized by statute to be withheld from a dollar wagered. This amount is determined by the track where the wagering pool originates.

Example: If a Texas horse track wagers on a greyhound race from a Florida greyhound track, then:
Win, Place, & Show - WPS Pools = 16%
Exacta, Quinella, & Doubles - M2 Pools = 22%
Trifecta, Superfecta, Select 3, etc. - M3 Pools = 22%



Prepared by :
The Pari-Mutuel & Auditing
Department 12/31/2008

How Money Wagered on a Horse Track's Exported Race is Distributed



LICENSED RACETRACK DIRECTORY

GREYHOUND RACETRACKS

Gulf Coast Racing

5302 Leopard Street, Corpus Christi, TX 78408
Phone 361.289.9333, Fax 361.299.1970

Gulf Greyhound Park

1000 FM 2004, La Marque, TX 77568
Phone 409.986.9500, Fax 409.986.9603

Valley Race Park

2601 South Ed Carey Drive, Harlingen, TX 78552
Phone 956.412.7223, Fax 956.428.0163

HORSE RACETRACKS

Austin Jockey Club (currently not constructed) - Class 2

c/o Joe Archer, 500 Dallas Street, 3400 Penthouse, Houston TX 77002
Phone 713.335.1322, Fax 713.654.7814

Gillespie County Fair & Festivals Association - Class 3

Highway 16 South, Fredericksburg, TX 78624
Phone 830.997.2359, Fax 830.997.4923

Laredo Downs (currently not constructed) - Class 2

7220 CPL Road, Laredo, TX 78041
Phone 956.723.6354, Fax 956.725.1949

Laredo Race Park (currently not constructed) - Class 2

c/o Andrea Young, 7575 N Sam Houston Pkwy West, Houston, TX 77064
Phone 281.807.8700, Fax 281.807.8777

Lone Star Park at Grand Prairie - Class 1

1000 Lone Star Parkway, Grand Prairie, TX 75050
Phone 972.263.7223, Fax 972.262.5622

Manor Downs - Class 2

9211 Hill Lane, Manor, TX 78653
Phone 512.272.5581, Fax 512.278.1892

Retama Park - Class 1

One Retama Parkway, Selma, TX 78154
Phone 210.651.7000, Fax 210.651.7097

Saddle Brook Park (currently not constructed) - Class 2

3822 Business Park Drive, Amarillo, TX 79110
Phone 806.359.9546, Fax 806.359.5239

Sam Houston Race Park - Class 1

7575 N Sam Houston Pkwy West, Houston, TX 77064
Phone 281.807.8700, Fax 281.807.8777

Valle de los Tesoros Race Park (currently not constructed) - Class 2

3900 North McColl Road, McAllen, TX 78501
Phone 956.687.7751, Fax 956.994.9734

RACING INDUSTRY ORGANIZATIONS & RELATED ASSOCIATIONS DIRECTORY

American Quarter Horse Association

P.O. Box 200, Amarillo, TX 79168
Phone 806.376.4888, Fax 806.349.6402

Association of Racing Commissioners, International (ARCI)

1510 Newton Pike, Suite 210, Lexington, KY 40511-1222
Phone 859.224.7070, Fax 859.224.7071

Department of Public Safety

P.O. Box 4087, Austin, TX 78773
Phone 512.424.2140, Fax 512.424.5779

Equine Research Account Advisory Committee

Texas Agricultural Experiment Station
2142 TAMU, College Station, TX 77843-2142
Phone 979.845.3713, Fax 979.862.1637

Jockeys' Guild

P. O. Box 487, Leander, TX 78646
Phone 512.826.3344

Texas Appaloosa Horse Club

(Requested withdrawal from Texas-Bred Incentive Program on 11/13/98)
1219 CR 203, Colleyville, TX 76233
Phone 972.672.3457, Fax N/A

Texas Arabian Breeders' Association

P. O. Box 215, Forney, TX 75126
Phone 972.564.9430, Fax 972.552.3613

Texas Greyhound Association

P. O. Box 40, Lorena, TX 76655-0040
Phone 254.857.4377, Fax 254.857.4299

Texas Horsemen's Partnership, L.L.P.

P. O. Box 142533, Austin, TX 78714
Phone 512.467.9799, Fax 512.467.9790

Texas Paint Horse Breeders Association

P. O. Box 163794, Fort Worth, TX 76161
Phone 817.222.6444, Fax 817.222.8489

Texas Quarter Horse Association

P. O. Box 9449, Austin, TX 78766
Phone 512.458.5202, Fax 512.458.1713

Texas Thoroughbred Association

P. O. Box 14967, Austin, TX 78761
Phone 512.458.6133, Fax 512.453.5919

Texas Veterinary Medical Diagnostic Laboratory

P.O. Drawer 3040, College Station, TX 77841-3040
Phone 979.845.3414, Fax 979.845.1794

2011 GRANTED LIVE RACE DATES

GREYHOUND RACETRACKS

Gulf Coast Racing – 5 performances

Tuesday, August 23 – Saturday, August 27 (one performance each day)

Gulf Greyhound Park – 311 performances

Wednesday through Sunday, year-round (two performances each Saturday)

Valley Race Park – 5 performances

Thursday, June 30 – Monday, July 4 (one performance each day – Festival of Racing)

HORSE RACETRACKS

Gillespie County Fair & Festivals

Mixed Meet (8 days) – July & August

Saturday & Sunday, July 2 & 3 and Saturday & Sunday, July 16 & 17

Saturday & Sunday, August 13 & 14 and Saturday & Sunday, August 27 & 28

Lone Star Park at Grand Prairie

Thoroughbred Meet (52 days) – April 14 (Thursday) through July 10 (Sunday)

Thursday – Sunday racing schedule (OPEN – Monday, May 30 for Memorial Day)

Quarter Horse Meet (26 days) – September 16 (Friday) through November 12 (Saturday)

Thursday – Saturday racing (except opening week) schedule

Laredo Downs

Mixed Meet (6 days) – August 19 (Friday) through August 28 (Sunday)

Friday – Sunday racing schedule

Laredo Race Park

Mixed Meet (8 days) – August 5 (Friday) through August 27 (Saturday)

Friday – Saturday racing schedule

Longhorn Downs

Thoroughbred Meet (12 days) – July 29 (Friday) through August 21 (Sunday)

Friday – Sunday racing schedule

Retama Park

Quarter Horse Meet (10 days) – July 1 (Friday) through July 28 (Thursday)

Mixed Meet (14 days) – July 29 (Friday) through August 27 (Saturday)

Thoroughbred Meet (21 days) – September 1 (Thursday) through October 15 (Saturday)

Thursday – Saturday racing (except first four weekends in July) schedule

Saddle Brook Park

Mixed Meet (9 days) – August 12 (Friday) through August 28 (Sunday)

Friday – Sunday racing schedule

Sam Houston Race Park

Thoroughbred Meet (27 days) – January 21 (Friday) through March 7 (Monday)

Friday – Monday racing schedule (no live races February 6 due to Super Bowl)

Quarter Horse Meet (30 days) – March 11 (Friday) through May 15 (Sunday)

Friday – Sunday racing schedule

Valle de los Tesoros

Mixed Meet (6 days) – August 19 (Friday) through August 28 (Sunday)

Friday – Sunday racing

(Please check with the racetracks to confirm their specific racing schedule or visit the Commission's website at www.txrc.state.tx.us for the detailed racing schedules.)

2011 APPROVED BREED SPLITS

What is a "breed split?" Under the Texas Racing Act, a portion of the money wagered on simulcast races offered at horse racetracks is dedicated to purses and the Accredited Texas Bred (ATB) Incentive Programs. Because this money is not directly related to live racing at Texas tracks, the Commission has developed a procedure for fairly dividing it for payout to the owners and breeders of the different breeds of horses.

Pursuant to Commission rules, each year the racetracks must negotiate with representatives of the officially recognized organizations representing horse owners, trainers, and/or breeders for the allocation of purse funds. The tracks then recommend for Commission approval a specific allocation among the breeds for the funds generated at their respective tracks. In determining the percentages by which ATB Incentive Program funds generated from simulcasting are divided, the Commission may consider criteria in accordance with Commission rules. This allocation of purse and ATB funds among the various breeds of horse is commonly referred to as the "breed splits."

PURSES	GILLESPIE COUNTY	MANOR	LONE STAR	RETAMA	SAM HOUSTON
Minor Breed	1.50%	1.50%	1.25%	2.00%	2.00%
Quarter Horse	68.95%	72.89%	16.7875%	21.56%	21.56%
Thoroughbred	29.55%	25.61%	81.9625%	76.44%	76.44%

TEXAS BRED INCENTIVE PROGRAM

Arabian	2.00%	2.00%	2.00%	2.00%	2.00%
Paint	1.00%	1.00%	1.00%	1.00%	1.00%
Quarter Horse	64.67%	64.67%	32.33%	32.33%	32.33%
Thoroughbred	32.33%	32.33%	64.67%	64.67%	64.67%

ESCROWED HORSE PURSE ACCOUNT

The money set aside for the escrowed horse purse account is derived from wagering on interstate horse racing simulcasts at greyhound racetracks. The Racing Act requires each greyhound racetrack to deposit with the Commission 4.5 percent of those wagers, to be paid to the various Texas horse racetracks. Each year, the horse racetracks are permitted to request money from this account. The Commission then approves a percentage allocation to be applied to money deposited in the account throughout the calendar year, based on purse levels, racing opportunities, and the financial status of the requesting racetracks.

	1.6%	7.8%	24.65%	24.65%	41.3%
Arabian	3.5%	3.5%	3.5%	3.5%	3.5%
Paint Horse	3.5%	3.5%	3.5%	3.5%	3.5%
Quarter Horse	72.075%	72.075%	72.075%	72.075%	72.075%
Thoroughbred	20.925%	20.925%	20.925%	20.925%	20.925%

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and other state depository libraries.

This publication is also available on the
Texas Racing Commission's website at
<http://www.txrc.state.tx.us>

Note: Except where otherwise indicated, information in this
report is for calendar year 2010 and has not been audited.